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ABSTRACT

This hearing on the reauthorization of the Higher Education Act, sought public comment in Maine on the cost of higher education and on Title IV of the Higher Education Act. Specifically, these hearings were intended to address the continuing low level of participation in higher education by Maine high school graduates, which was ascribed mainly to the fact that federal aid programs cover a smaller percentage of cost than they did 15 years ago. The hearing, chaired by Senator Susan M. Collins of Maine, heard statements from: Senator James M. Jeffords of Vermont; Senator Olympia J. Snowe of Maine, who planned to introduce a "Go to College" tax incentive act; Melissa Chasse, a student who gave examples of the various federal student aid programs that had enabled her to attend college James Peacock, certified school counselor; Mid-Maine Technical Center; Andrea Cross, director of financial aid, St. Joseph's College; institutional administrators and counselors from Maine colleges, who all noted repayment burdens faced by students; and education policymakers for the state of Maine, who noted the importance of federal student aid programs to students in the state. Walter Moulton, director of student aid at Bowdoin College, presented a prepared statement suggesting three changes to the bill which would: (1) provide an alternative to the Perkins Loan Program; (2) consolidate the Parent Loans for Undergraduate Students (PLUS) program; and (3) allow use of retirement assets to help meet educational expenses. (CH)

S. HRG. 105-73

REAUTHORIZATION OF THE HIGHER EDUCATION ACT AND THE COSTS OF HIGHER EDUCATION

ED 410 910

HEARING

OF THE

COMMITTEE ON LABOR AND HUMAN RESOURCES UNITED STATES SENATE

ONE HUNDRED FIFTH CONGRESS

FIRST SESSION

ON

EXAMINING THE RELATIONSHIP BETWEEN COST AND ACCESS TO POSTSECONDARY EDUCATION

MAY 5, 1997 (BANGOR, ME)

Printed for the use of the Committee on Labor and Human Resources

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REAUTHORIZATION OF THE HIGHER EDUCATION ACT AND THE COSTS OF HIGHER EDUCATION

MONDAY, MAY 5, 1997

U.S. SENATE,
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Bangor, ME.

The committee met, pursuant to notice, at 9:00 a.m., at the Center for Family Business, Husson College, Bangor, ME, Hon. Susan M. Collins presiding.

Present: Senators Jeffords and Collins.

OPENING STATEMENT OF SENATOR COLLINS

Senator COLLINS. Good morning. Welcome to today's Senate Labor and Human Resources Committee's field hearing on the Reauthorization of the Higher Education Act and on the costs of higher education.

I want to first thank Chairman Jeffords for taking the time out of his hectic schedule and taking time away from his Vermont weekend to come and join us here today. Senator Jeffords is a real leader in higher education. There is no one in the Senate who is more influential on the issue. As the chairman of the authorizing committee he is in a key role. I want to thank him very much for taking the time to join us today and for letting me be the honorary chair of the committee for the day; that was very nice of him.

Today we are discussing a major public policy issue, that is: How to increase participation in higher education.

In addition to thanking the senator, I also want to express my appreciation to Husson College for hosting this event today.

The committee has scheduled this hearing in Bangor to provide an opportunity for the citizens of Maine to express their concerns and provide their advice to the committee about the cost of higher education and the Federal student aid program supporting access to higher education.

Title IV of the Higher Education Act authorizes the Federal programs that provide 70 percent of all financial aid to individuals pursuing postsecondary education. A principal intent of the Higher Education Act today, as when it was passed 30 years ago, is to increase access to postsecondary education, especially to provide increased opportunity for postsecondary education to lower-income individuals and to increase affordability for middle-income families.

Today, despite the $35 billion spent by the Federal government each year on student aid programs, the objectives of the Higher

Education Act are not being fully achieved. This problem is particularly acute right here in the State of Maine, which ranks 49th out of the 50 States in the number of high school graduates going on to higher education. That is clearly a statistic that we need to improve.

This low level of participation in higher education is even more startling when we look at the aspirations of Maine's high school students. According to a study recently released by the Finance Authority of Maine—and we'll hear more about this later today—91 percent of our high school students expect postsecondary education to be an important part of their lives, while nationally only 85 percent have the same high expectation. Yet nationally 68 percent of high school graduates go on to higher education, while here in Maine, the number is much lower, about 50 percent.

One of the issues we'll be pursuing today is why is there that gap. Why are more than 90 percent of high school students seeing postsecondary education as important, and yet only about a half of them go on to some sort of college or technical school?

We must ask ourselves why so few of our young people are going on to the higher education that is an essential gateway to economic opportunity.

When we look for an explanation for this great difference between the aspirations of Maine's high school students and their achievements, one very significant factor stands out, and that is the cost of higher education. In spite of the billions of dollars spent by the Federal government, many families in Maine see higher education as simply unaffordable.

One of the principal sources of aid for low income students is the Pell Grant program. In the 15 years between 1980 and 1995, the proportion of costs at a private college covered by the maximum Pell Grant has dropped precipitously from 35 percent to 14 percent. The corresponding figures for public colleges are even worse, 82 percent to 34 percent.

In other words, the Pell Grants used to cover far more of the costs than they do today.

During the last 15 years, according to the college board, the cost of attending the average private college has risen by 90 percent. The cost of attending a public institution has almost doubled. This increase is two to three times higher than the rate of inflation. And at the same time the median family income has risen only about 5 percent.

The cost of higher education results in a dramatic difference in participation in higher education that is directly correlated to family income levels. In 1994, nationally, 58 percent of children from families with incomes below 23,000 went on to college or other higher education, while 88 percent of the children from families with incomes more than $68,000 went on to college.

The obstacle to higher education presented by its costs may be preventing the next generation of a family from moving into a higher income bracket than the family's present generation.

Indeed, I've become convinced that the increasing gap in this country between lower-income people and higher-income people is essentially an education gap.

Maine is, as the title of the FAME report says, a State in which the future of the next generation is at risk. The State is at risk of developing a divided society in which growing numbers of our citizens are excluded from the education-dependent benefits of good jobs and from the promise of improving the quality of their lives through greater economic prosperity.

The Federal Government cannot and should not try to assure equality of outcomes, but we must try to insure equality of opportunity. That is what the American dream is all about.

I hope that the testimony this morning will help us on the committee to find ways in which the student aid programs can do a better job of increasing the opportunity for participation in higher education by families in Maine and throughout the Nation.

Before I introduce our first panel today, I want to introduce my colleague, Senator Jim Jeffords of Vermont, the chairman of the Labor and Human Resources Committee for any remarks that he might have. And, again, my thanks to you for your being here today.

[The prepared statement of Senator Collins follows:]

PREPARED STATEMENT OF SENATOR COLLINS

Welcome to today's Senate Labor and Human Resources Committee field hearing on the reauthorization of the Higher Education Act and on the Costs of Higher Education. I want to thank Chairman Jeffords for taking time out of his hectic schedule to join us here today as we discuss a major public policy issue facing America: how to increase participation in higher education. I also want to express my appreciation to Husson College for providing the Center for Family Business as a site for this hearing.

The committee has scheduled this hearing in Bangor to provide an opportunity for the citizens of Maine to express their concerns and provide their advice to the committee about the cost of higher education and the Federal student aid programs supporting access to higher education.

Title IV of the Higher Education Act authorizes the Federal programs that provide about 70 percent of all financial aid to individuals pursuing postsecondary education. A principal intent of the HEA today, as when it was passed over 30 years ago, is to increase access to postsecondary education—especially to provide increased opportunity for postsecondary education to low-income individuals and to increase affordability for middle-income families.

Today, despite the $35 billion spent by the Federal Government each year on student aid programs, the objectives of HEA are not being fully achieved. This problem is particularly acute in Maine, which is ranked 49th out of the 50 States in the number of its high school graduates going on to higher education.

This low level of participation in higher education is even more startling when we look at the aspirations of Maine's high school students. According to a study recently released by the Finance Authority of Maine, 91 percent of our secondary school students expect postsecondary education to be an important part of their lives, while nationally only 85 percent have the same expectation. Yet nationally 68 percent of high school graduates go on to higher edu-

cation, while in Maine the number is much lower—about 50 percent.

We must ask ourselves why so few of our young people are going on to the higher education that is the essential gateway to economic opportunity and entry into a job market which, year by year, is demanding a more highly educated and better-trained work force.

When we look for an explanation for this great difference between the aspirations of Maine's high school students and their achievements, one very significant factor stands out—the cost of higher education. In spite of the $35 billion being spent by the Federal Government, many families in Maine see higher education as unaffordable. According to the FAME report, over one-third of Maine families cite the expense of college as an obstacle; and 44 percent say that cost is likely to cause a change in their plans for higher education.

One of the principal sources of aid for low income students is the Pell Grant program. In the 15 years between 1980 and 1995, the proportion of costs at a private college covered by the maximum Pell Grant has dropped precipitously from 35 percent to 14 percent. The corresponding proportions at public colleges are even worse 82 percent to 34 percent.

During the last 15 years, according to the College Board, the cost of attending the average private college has risen about 90 percent. The cost at an average public institution has almost doubled. This increase is two to three times higher than the rate of inflation. At the same time, median family income has risen only about 5 percent.

The cost of higher education results in a dramatic difference in participation in higher education based on family income levels. In 1994, nationally, 58 percent of children from families with incomes below $23,000 went to college while, 88 percent of children from families with incomes more than $68,000 went to college.

Coupling these statistics with the well-known relationship between education level and family income, we are at risk of perpetuating economic inequality. The obstacle to higher education presented by its cost may be preventing the next generation of a family from moving into a higher income bracket than its present generation.

Maine is, as the title of the FAME report says, a State in which the future of its next generation is at risk. The State is at risk of developing a divided society in which growing numbers of our citizens are excluded from the education-dependent benefits of good jobs and from the promise of improving the quality of their lives through greater economic prosperity.

While the Federal Government cannot and should not try to assure equality of outcomes, we can try to assure the equality of opportunity upon which the American dream is rooted. As we move from a resource-driven economy to a knowledge-driven economy, we need to find ways to make equality of opportunity a reality for all Mainers.

I hope that the testimony presented this morning will help the Labor and Human Resources Committee to find ways in which the Federal student aid programs of HEA can do a better job of in-

creasing the opportunity for participation in higher education by the families of Maine and of the Nation.

OPENING STATEMENT OF SENATOR JEFFORDS

The CHAIRMAN. Thank you very much, Senator Collins. And I assure you it was no sacrifice to come up here. My sister teaches in the Eddington and Holden area, and my niece teaches in Portland, and so we had a hearing yesterday on the K-through-12 education which was very interesting. And also my nephew and my brother-in-law are in timber management, so I learned a lot about that, too.

I want to tell you how important it is to me and how grateful I am that Susan Collins chose to come on our committee.

This committee has the broadest jurisdiction of any committee in the Congress including the House. We handle everything in your life from birth to death. We take care of your health care, we take care of your education, child care, we take care of K through 12, college and graduate education and health care. We handle those things which are not handled by the Finance Committee with respect to insurance and matters like that. We handle job training, we have a bill this year that's going to try to deal with your ability for life-long learning and skills and all. So I tell you, every part of your life is somewhat impacted by Susan Collins.

Senator COLLINS. Scary, huh?

The CHAIRMAN. The challenges we have this year in education, all the way up and down the line, are going to be very, very dramatic. We have just recently learned, as you all know, that the most important periods of your life are the periods you don't remember, the periods from ages 0 to 3 and 3 to 5.

We have realized we have tremendous problems in that area far as access and equality of opportunity we have got to do something about that. We are also, of course, here to discuss educational opportunities in higher education, which includes a whole range of postsecondary education, skill training, life-long skills, and more.

In spite of the joyous announcement about the budget the other day, which puts a great emphasis on education, if you take a look at the needs and compare them with the resources, we're still going to have a tough time. But I'm so pleased that Susan will be there to take the credit and the agony of being on our committee. I didn't even mention the labor.

We also get involved with strikes, especially if it's in airplanes and railroads, we have to make all those tough decisions about minimum wages. We'll be dealing with the Family Friendly Work Bill next week, seeing what we can do to make sure that you have more time to get off and enjoy life and to be more flexible in your schedule. So, it's a busy committee, and now that Susan is there I feel secure and happy that we're going to be able to accomplish all of these goals.

We came here to talk about higher education. I want to say we have some very critical problems in higher education, which are important. A postsecondary education is so important with respect to income levels that, over the past 20 years, the only people to have maintained a consistent income level in our society are those that have gone onto higher education. Those who have only a high

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school education have seen their income levels drop. The only people whose income levels have increased are those who have gone on to graduate education. So our lives are very much dependent upon education—for ourselves and our children. The Higher Education Act represents our opportunity to help and that's why we're here today.

I hope that we can come forward with the testimony which is the most important part, it is a pleasure to be here with you and I look forward to listening to the testimony.

Senator COLLINS. Thank you very much, Senator.

The other senator from Maine, Olympia Snowe, my senior colleague, had hoped to be here today but cannot. She has some testimony which I'm going to ask the chairman unanimous consent that we put it in the hearing record. Olympia also has been very committed and a real leader on higher education issues.

[The prepared statement of Senator Snowe follows:]

PREPARED STATEMENT OF SENATOR SNOWE

Thank you, Mr. Chairman and Senator Collins, for inviting me to participate in this morning's hearing. I would first like to commend my good friend, Senator Jeffords, for all that he has done on behalf of the education community during his years of public service. He has truly demonstrated leadership and vision in addressing our Nation's long-term educational needs, and is unquestionably deserving of his position as Chairman of the Senate Labor Committee. I would also like to commend Senator Collins, who is a strong addition to the Labor Committee. I look forward to working with her to advance educational issues in the Senate.

The topic of this hearing—the reauthorization of the Higher Education Act and the cost of higher education—is of particular importance to me, so I regret that I am unable to join you in person. However, I look forward to working with both of you as we address higher education issues in your Committee, the Budget Committee on which I serve, and on the floor of the Senate during the coming months.

In addition, I would also like to welcome my many friends from Maine's education community who will be testifying before the committee today. Your tireless efforts on behalf of Maine's students are truly appreciated, and your insights on higher education policies will be invaluable as we discuss these issues in Congress in the months ahead.

I believe I can safely say that education policy has always mattered a great deal to every person in this room. My concern for education goes back many years. It came from my parents. My father was a Greek immigrant and my mother a first generation American whose parents emigrated to America from Sparta. My parents knew that the key to opening the doors to the American Dream and to opportunities rested in a good education. They knew that America was the best Nation in the world because it had the best education system in the world, the best colleges, the best libraries, and the most potential for their children.

The simple fact is that, just as education has been the key to growth and opportunity in America for the past two centuries, it is the key to our Nation's economic future and survival as a superpower at the dawn of the 21st century. Education is the great equalizer in our society that can give every citizen of our Nation—regardless of race, income, or geographic background—the same opportunity to succeed in the global economy of the 21st century.

But, as we all know, it is not enough to have the best colleges and universities in the world if our students are not able to enter the doors of these institutions and sit in their classrooms. Our students must have access to our system of higher education. And that's why the Higher Education Act (HEA) is so important: It contains the Federal Government's major student aid programs that ensure students are able to attend these institutions when the will and ability to attend are simply not enough—when the cost of a higher education is simply too great for an individual or family to pay "out of pocket."

Although important support outside of the HEA flows to students and families, the Federal presence in higher education is shaped to a significant degree by HEA programs. In fact, nearly all of the available Federal student aid is provided through the HEA—which represents approximately 70 percent of all financial aid awarded to postsecondary students nationwide.

Over the coming months, our task in Congress is to craft an HEA reauthorization bill that addresses the many changes that have taken place in higher education over the years, while strengthening access to higher education today and long into the next century. Along with Chairman Jeffords and Senator Collins, I am committed to ensuring that we do the job right—and the input of today's witnesses will be invaluable in that process.

While there are many aspects of the Act that should be studied and reviewed during the reauthorization process, I would like to focus this morning on one particular component of the Act that I have worked hard to protect during the budget discussions of the past two and a half years: student loans.

As I'm sure Jim remembers all too well, the Senate at one time considered a substantial cut to the student loan program, but an amendment I offered restored $9.4 billion to the program while ensuring there would be no negative impacts on parents and students. By the same token, my commitment to the student loan program led to the crafting of the "Go to College!" Tax Incentives Act—a bill that I introduced just this past week. That legislation—which I will discuss more fully later in this statement—includes a provision that would make the debt burden associated with student loans more bearable for borrowers, at a time when the cost of attending post-secondary institutions is rising.

In the world of education, student loans are the great "enabler". They afford everyone the equal opportunity to benefit from a college education. They allow each student— regardless of geography, income bracket, or background—to draw and learn from the same books of classics, to listen to the same literature professors, to "ace" the same tests, and to grasp the same college diploma on commencement day after four years.

It is not lost on me that I would not be a United States Senator if it weren't for a solid college education—an education that was made possible through the timeless gift of student loans. To me and to millions of others, student loans were more than just a foundation; they were a stepping stone to success. They weren't a "hand-out." They were a "leg-up" and a "helping hand" at a very critical time in our lives.

Over the years, student loans have given millions of young Americans a fighting chance at reaching their own American Dream: In 1993, it gave 5.6 million Americans that chance, and that was almost double the number of loans made 10 years earlier, when it was 3 million.

Why is it so important that our students have this form of borrowing available to seek a post-secondary education? Consider that while nearly 40 percent of today's jobs are in low-skill occupations, only 27 percent will fall into that category by the year 2000. At the same time, high-skill occupations will grow from 24 percent to 41 percent of the work force. Finally, when looking at the new jobs that are being created—and will be created—more than half of the new jobs created between today and the year 2000 will require an education beyond high school. Clearly, the need for a higher education to meet the demands of the changing global job market is evident.

Moreover, men and women who continue their education beyond high school, as we have seen in study after study, have consistently earned more money on average each year than those who do not. In 1990, for example, the average income for high school graduates was almost $18,000—while those who had one to three years of a college education earned an average of $24,000 annually. And for those who graduated from college and received a college diploma, the average salary was $31,000!

Clearly the benefits of a higher education are reflected in these numbers—and we must preserve and improve this program accordingly. But there is another side to the student loan discussion that must also be explored: student debt.

Saving and borrowing money to meet the rising cost of a higher education has become one of the most important financial decisions in the lives of many Americans. According to the Institute of Higher Education Policy, students at the undergraduate level have seen tuition increases outpace inflation for more than a decade. As a result of these increasing costs, an estimated 7.6 million students will require and receive aid in 1997—and this number is expected to increase to 8.1 million in 1998. Similarly, due to the significant costs of graduate and professional school training, borrowing by these students is increasing even faster than the record rate of increase in total student loan borrowing overall.

How much money is borrowed by students to meet these rising costs? According to a 1996 analysis by USA Group Loan Services, the typical student loan borrower—including undergraduate, graduate, and doctoral students—now accumulates more than $10,000 in educational debt. As one would probably expect, the interest paid on this borrowing is enormous. In fact, students in our State pay $25 million in interest on their student loans every year!

Clearly, these rising costs and accumulating debts place the future of our children and our Nation at stake. Many students may wonder if they will ever be able to pay-off the debt burden they will absorb if they go to college—and others will simply drop the idea of pursuing a higher education altogether in light of these numbers.

Even as Congress must remain committed to ensuring that every individual has the opportunity to pursue a higher education through student loans, Pell grants, and other forms of student financial aid, we must also pursue policies that ensure students are not dissuaded from attending college because of the mounting interest payments and crushing debt burden they will likely accumulate. And it was with this reality in mind that I introduced the "Go to College!" Tax Incentives Act in the United States Senate last week.

The "Go to College!" Tax Incentives Act is more than a directive to students to seek a higher education—it also provides tangible incentives and benefits to do so. Specifically, the legislation would provide an incentive for students and parents to save for college, even as it would ensure students are not discouraged from applying for students loans simply because of the debt burden they would incur in the process of gaining a higher education.

First, this legislation provides an incentive for parents and children to put aside as much as $1,000 per child annually in an education savings account that would be allowed to grow tax-free. Planning for the future is critical when one considers the rising cost of tuition, and this incentive to save will make such planning less difficult. Second, this legislation provides a tax credit of $1,500 for the interest paid on student loans, thereby encouraging students to borrow as necessary to "go to college"—not balk at the cost of a higher education and the related debt they need to incur. Although this provision would not benefit students immediately, they would be assured of substantial tax relief once they begin to pay off the student loan debt they accumulated when they chose "go to college" in the first place.

Ultimately, the goal of my legislation and others targeted to higher education are the same: To provide increased access to a post-secondary education for our Nation's students. If we deny individuals the opportunity to receive an education because they lack the financial means or the access to financial assistance, clearly, we—as a nation, a superpower, and the world's greatest democracy—are going to suffer.

This hearing provides an excellent forum for discussing how the goal of increased access can be achieved through the reauthorization of the Higher Education Act and other legislative approaches. I look forward to reviewing the transcript of this hearing and the materials distributed by the witnesses, and am eager to work with all of you in advancing this critical issue. Thank you, again, Chairman Jeffords and Senator Collins, for this opportunity to participate in today's hearing.

Senator COLLINS. First, just a couple of procedural things before I call forth our first panel of witnesses. You will see that we have a lighting system here, there are three lights. We're on a very tight schedule because Senator Jeffords and I have to get back to Washington to vote late this afternoon. So we are going to be strict about the five-minute rule for each witness' overall presentation and to allow time for questions. The green light is going to go on at the beginning of the testimony, the yellow light goes on when there's about a minute left; and when the red light goes on, we're going to ask you to wrap up your comments.

Keep in mind that your full testimony will, however, appear in the hearing record and we'll be able to explore some of the issues further in our question-and-answer session.

So with that, I'd like to introduce the first panel that we have this morning. Melissa Chasse is a senior Accounting major here at Husson College, she's from Portage ME. She was also my work-study student when I was working here at Husson, so I have first-hand experience of what a good program that is.

Andrea Cross is the director of financial aid at St. Joseph's College of Maine in Standish. And James Peacock is the student services coordinator of Mid-Maine Technical Center and the President-Elect of the Maine School Counselor's Association.

So if those three witnesses would please come up. I also want to invite anyone in the audience who won't be testifying today to sub-

mit any thoughts that you have on the Higher Education Act to us; we'll put them in the hearing record and give them consideration.

Thank you very much for taking the time to appear here this morning. And we're going to start with Melissa Chasse.

STATEMENTS OF MELISSA CHASSE, STUDENT, HUSSON COLLEGE, BANGOR, ME; JAMES PEACOCK, CERTIFIED SCHOOL COUNSELOR, MID-MAINE TECHNICAL CENTER, WATERVILLE, ME; AND ANDREA CROSS, DIRECTOR OF FINANCIAL AID, ST. JOSEPH'S COLLEGE, STANDISH, ME

Ms. CHASSE. Good morning. My name is Melissa Chasse. And I'm a senior here at Husson. I grew up in a small rural community in Ashland, ME, in Aroostook County. My parents were both born and raised there. For many years my father worked in a local mill while my mother stayed home with my two brothers and myself.

Currently, my parents own the area's sanitation service and—as well as a local restaurant in my town. The sanitation is very successful, while the restaurant struggles at times.

I was very active throughout high school. I graduated as salutatorian of my class and was a member of various organizations and teams. I've always had high expectations of myself, and was a member—and I never questioned my ability to go to college. I attended Westbrook College my freshman year and then transferred here to Husson.

I have always received a substantial amount of financial aid because of the debt my parents have accumulated. My family had not financially planned for my education. Many people realize that they need to do so, but they're not always able or they just don't save or prepare like they should.

Because of financial aid, both Federal and private, I was able to attend college. This aid helped diminish the financial burdens that my family could not afford to accumulate.

Examples of Federal aid that I have received include: Federal Perkins Loans, Federal Pell Grants, Federal Supplemental Educational Opportunity Grants, Federal Stafford Loans, and Federal Work Study.

The majority of my aid has come from the Federal Stafford Loan Program. This aid I will have to pay back in the future; but in the meantime it has allowed me to receive the education that I feel I earned and deserved.

The Federal Work Study Program helped me pay for some of my college expenses, but it also allowed me to gain valuable employment experience in a department such as the Business Office, the Center for Family Business and a public relations office.

Federal financial aid programs are very important, and without them students from all backgrounds and needs could not receive a higher education. A college education is demanded by many employers. Those students who have financial needs should have the same right to an education as those who can afford to attend college without any assistance at all.

[The prepared statement of Ms. Chasse follows:]

PREPARED STATEMENT OF MELISSA CHASSE, STUDENT

My name is Melissa Chasse. I grew up in Ashland, ME, which is a small rural community located in Aroostook County. My parents were both born and raised there as well. For many years my father worked in a local mill while my mother stayed home with my two brothers and me. Currently, my parents own the area's sanitation service as well as a local restaurant/motel/lounge complex. The sanitation service is successful. However, the restaurant has been struggling for the last few years.

I was very active throughout high school. I graduated as salutatorian of my class and was a member of various organizations and teams. I have high expectations of myself and college was first on the list. I attended Westbrook College my freshman year and then transferred to Husson College my sophomore year. I have always received a substantial amount of aid because of the debt that my parents have accumulated. My family had not financially planned for my college education. Even though people know that it is important to save and prepare, they do not always do so or may not be able to.

Because, my financial aid, both Federal and private, I was able to attend college. This aid helped diminish the financial burden that my family could not afford to accumulate. The majority of my aid came from the Federal Stafford Loan program. This aid I will have to pay back in the future, but in the meantime it allowed me to receive the education that I feel that I earned and deserved.

Federal financial aid programs are very important and without them students from all backgrounds and needs could not receive higher education. A college education is demanded by many employers. Those students who have financial needs should not have the same right to an education as those who can afford to attend college with no aid at all.

Senator COLLINS. Thank you very much.

Mr. Peacock.

Mr. PEACOCK. Good morning, Chairman Jeffords and Senator Collins. My name is Jim Peacock. I'm a certified school counselor, kindergarten through twelfth grade and have been so more the past eleven years. I currently work at Mid-Maine Technical Center in Waterville, which serves for than 350 students from Lawrence, Messalonskee, Winslow, and Waterville high schools. I am also the President elect for the Maine School Counselor Association which represents roughly 400 school counselors in the State.

I would like to discuss perceptions that many people have versus the reality that I and other counselors and students actually see regarding financial aid.

First and foremost, I would like to ensure that we're all using the same definition of college as I speak. For many people their perception of college means only four-year baccalaureate institutions, but we must always include two-year institutions like our excellent Technical College System and other postsecondary training schools which provide very worthwhile alternate routes for students entering the work force.

Many high school students perceive that they must attend a four-year college in order to be successful. Yet reality shows me something happens to their ambitions. As a high school counselor, I would meet with my ninth-grade students in small groups to discuss the transition to high school and their career plans.

Typically 90 percent of these ninth graders said they planned to attend a four-year college. Yet by the time they reached their senior year, only about 50 percent said they planned on attending a four-year college and probably only 40 percent would actually attend that upcoming fall.

Add to this formula the fact there is a 50 percent dropout rate at four-year colleges and you quickly realize something is wrong with this picture. Some of these students fell into the trap that the

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road to success is the four-year college, when it was clearly over their heads intellectually. Or they were simply unwilling to put in the effort to take and succeed in college prep academic classes. Yet for some, the fear of huge debts or lack of financial aid is the obstacle they perceive to this change in their ninth-grade ambitions.

Many people also perceive that financial aid packages consists mostly of direct grants like they did in the' 60s. The reality is that over the past 25 years, loans make up a much larger portion of aid than grants.

It is disturbing to see the direction Federal funding is going in this country and how these decisions are detrimentally affecting the choices of the teens I work with each year.

Many parents are still under the assumption that financial aid is similar to what was available to them 20 years ago. And that is simply not the case. This lopsided change in the aid package is causing many students to incur huge loans when they are in the beginnings of their careers.

I know students who have $20,000 in loans to pay off when they graduate. And I even know a student who is on track to incur $30,000 in loans. This is sad to me. To think that at the beginning of a young person's career, he or she would start off $20,000 in debt seems like such an atrocity.

How could a person ever buy a house or even a decent vehicle or begin a family? And some of these students are graduating as chefs or forestry majors and will have starting salaries in the mid-20,000 range. Many of them will needs to live at home in order to pay off these debts in a timely fashion. And I don't know about you, but I'm really interested in having my teens move out of the house, not boomerang back in.

The mix of fewer grants available, increased loans, and rising tuition is a daunting obstacle to students facing education in the 21st century.

Another real concern of mine is the student who incurs heavy loans in the first year or two, and then in the second or third year of college need to drop out because they cannot afford to continue. These students have the burden of the loans and none of the benefits of the education. They will often, then, have to take low-wage jobs and never complete their education. The only thing they receive is a loan payment.

The total amount of Federal financial aid has virtually remained the same in the past 25 years. Yet that amount of money buys less education now than it did in 1960. Add to this fact that about 5 years ago the financial need formula changed slightly to allow more people to be eligible for financial aid, and what you get are lower income students at a disadvantage.

This continued void in the haves-and-have-nots in our society continues. Middle-income parents often have the advantage of a college education and are familiar with the college processes. They apply early and they often receive decent packages. If they talk to a financial aid counselor, maybe they can even do better. Yet low income families do not have these resources or skills.

Perception of financial aid is also that it is only for smart students. Low-income students do not realize that they often will be eligible for more financial aid than middle- to high-income families.

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These low-income students, again, do not have the resources to assist them in this application process.

It has been a privilege to have this opportunity to share my views of the financial aid issue. I hope that we can find additional funding to support students reaching for their dreams. I hope that these funds can be better packaged to include more grant money and fewer loans.

Our society has created a huge problem with Federal deficits often sometimes due to borrowing, and families have created crisis in their lives by borrowing on credit cards and other forms of debt. This pattern of encouraging financial aid loans only adds to the perception that taking loans are good for you. Thank you very much.

[The prepared statement of Mr. Peacock follows:]

PREPARED STATEMENT OF JIM PEACOCK

Hello, my name is Jim Peacock. I am a certified school counselor, Kindergarten through 12th grade and have been so for the past 11 years. I currently work at Mid-Maine Technical Center in Waterville which serves more than 350 students from Lawrence, Messalonskee, Winslow, and Waterville high schools. I am also the President elect for the Maine School Counselor Association which represents roughly 400 school counselors in the State. I would like to discuss perceptions that many people have versus the reality that I and other counselors and students actually see regarding financial aid.

First and foremost, I would like to ensure we are all using the same definition of "college" as I speak. For many people their perception of "college" means only 4 year baccalaureate institutions, but we must always include two year institutions like our excellent Technical College system and other post secondary training schools which provide very worthwhile alternate routes for our students to enter the work force.

Many high school students perceive that they must attend a 4-year college in order to be successful. Yet reality shows me something happens to their ambitions. As a high school counselor I would meet with my 9th grade students in small groups to discuss the transition to high school and their career plans. Typically 90 percent of these 9th graders said they planned to attend a 4-year college. Yet by the time they reached their senior year, only about 50 percent said they planned on attending a 4-year college and probably only 40 percent would actually attend school the upcoming fall. Add to this formula the fact that there is a 50 percent dropout rate at 4-year colleges and you quickly realize something is wrong with this picture.

Some of these students fell into the trap that the "road to success" is the 4-year college, when it was clearly over their heads intellectually. Or they were simply unwilling to put in the effort to take and succeed in college prep academic classes. For some, the fear of huge debts or lack of financial aid is the obstacle they perceive to this change in their 9th grade ambitions.

Many people also perceive that financial aid packages consist mostly of grants like they did in the 1960's. The reality is that over the past 25 years, loans make up a much larger portion of aid than grants. It is disturbing to see the direction Federal funding is going in this country and how these decisions are detrimentally affecting the choices of the teens I work with each year. Many parents are still under the assumption that financial aid is similar to what was available to them 20 years ago. That is simply not the case. This lopsided change in the aid package is causing many students to incur huge loans when they are in the beginnings of their careers.

I know students who have $20,000 in loans to pay off when they graduate. I even know a student who is on track to incur $30,000! This is sad to me. To think that at the beginning of a young person's career, he or she would start off $20,000 in debt seems like such an atrocity to me. How could a person ever buy a house? Or even a decent vehicle? Or begin a family? Some of these students are graduating as chef's or forestry majors and will have starting salaries in the mid $20,000 range. Many of them will need to live at home in order to pay off these debts in a timely fashion. I don't know about you, but I'm really interested in having my teens move out of the house, not boomerang back in! The mix of fewer grants available, increased loans, and rising tuition is a daunting obstacle to students facing education in the 21st century.

Another real concern of mine is the student who incurs heavy loans then in the second or third year of college they must drop out because they cannot take on any more loans. These students have the burden of the loans and none of the benefits of the education. They will often then have to take minimum wage jobs and never complete their education. The only they thing they receive is a loan payment.

The total amount of Federal financial aid has virtually remained the same in the past 25 years. Yet that amount of money buys less education now than it did in 1960. Add to this fact that about 5 years ago the financial need formula changed slightly to allow more people to be eligible for financial aid and what you get are lower income students at a disadvantage. The continued void in the "haves and have nots" in our society continues. Middle income parents often have the advantage of a college education and are familiar with the application process and financial aid. They apply early and receive decent packages. They talk to a financial aid counselor and maybe they even can do better. Low income families typically do not have these resources or skills.

Perception of financial aid is also that it is only for the "smart students." Low income students do not realize that they often will be eligible for more financial aid than middle to high income families. These low income students do not have the resources to assist them in this application process.

It has been a privilege to have this opportunity to share my views of the financial aid issue. I hope that we can find additional funding to support students reaching for their dreams. I hope these funds can be better packaged to include more grant money and fewer loans. Our society has created a huge problem with federal deficits due to borrowing and families have created crisis in their lives by borrowing on credit cards and other forms of debts. This pattern of encouraging financial aid loans only adds to the perception that taking loans are good for you.

Senator COLLINS. Thank you very much.

Ms. Cross.

Ms. CROSS. Good morning, Senators Jeffords and Collins. Thank you for allowing me to speak today. My name is Andrea Cross and I am a director of financial aid at St. Joseph's College in Standish, ME.

I would like to speak to you today with regard to the accessibility to higher education in our State and indeed throughout our Nation. As a financial aid administrator at a small, private, Catholic college, I have a hands-on perspective of the dilemmas faced by our families each day regarding financing and higher education.

My role at St. Joseph's is to ensure that students who qualify for admission to our educational programs are able to find the financial resources necessary to attend. This is a challenging task and we regretfully do not always succeed.

In fact, there are probably many parents who feel that I am not an appropriate choice to speak on this particular panel; that the final process with all of it's regulation and jargon and hence it's administrators are an obstacle to higher education rather than a source of support. However, I have the advantage to be in a position to see a larger picture, one which includes many, many families from Maine and elsewhere; and I see them struggle both financially and emotionally with the choices which the current educational arena creates.

There are many financial aid programs which are of tremendous value to our students; grants scholarships, work opportunities, and student loans. However, the level of funding is not typically sufficient to meet the full cost of an education. Most families are paying their contribution and more.

I welcome this opportunity to examine my role from the point of view of a consumer. This time of year is one of turmoil for students who plan to continue their education in the fall. It's also a time of turmoil for those students who decide that education is not some-

thing available to them or valuable for the future. Even those who express an interest in higher education do not always have the support systems in place to make their dream a reality.

From my vantage point I see how families struggle to pay or even in some cases refuse to help pay for a son or daughter desiring to attend college. I want to share with you some excerpts from letters that have been received by members of my campus.

From our first family: We are a family that live from week to week. This past year has left us one paycheck away from homeless. If you have met our son, you will know how much he wants to be there. We have been paying tuition for 16 years, from nursery school, so he could have the best education possible. It was the only thing we could give him during his life that we felt was worthwhile.

From our second family: We are in no way expecting a free ride. Schooling of our children is our responsibility. All we are asking for is someone to give our financial status a very close look. We are one of these families that seem to have no luck, except bad luck. Our debt is not foolhardy. We do not own a boat, a camper, a swimming pool, or any luxury of that nature. We are basic people trying to get by. Yes, our current financial status is our doing, yet we definitely did not willingly put ourselves in this condition.

And from a third family: Her father is an hourly worker. His job includes no benefits such as paid holidays, vacation, or health insurance. We are committed to our daughter's continued education. She desperately wants to attend your school and we want to help her as much as possible.

We are a college that strives for quality at a moderate cost. We have increased our portion of institutional grants and scholarships by 149 percent over the past 5 years, and almost 300 percent over the last 8 years. More than 90 percent of our full-time students seek some form of financial assistance to attend college. The institution, in collaboration with Federal, State, and private resources, constitutes a supportive network for the financing of higher education, but not one without flaws.

Students and potential students still fall through the cracks, and these cracks are becoming wider and wider, and families are not able to bridge these in their current financial circumstances. With Maine being 49th in our Nation with regard to students who go on to postsecondary education, a crisis is clearly underway. Another concern which is also reflected in the number of students who choose to pursue higher education is the preponderance of loans as the means of financing.

For some it is difficult to examine education from an investment standpoint and the cost of risk—and the cost and risk of borrowing is not well received. For others, student loan debt is unacceptable when the total—particularly when a parent is unable to borrow because of adverse credit—can range from 17 to $35,000 in Federal Stafford loan funds for an undergraduate degree. While the cost of default is reasonable low in Maine, more and more students are using loans and this has really been the only Federal program for the middle-income students.

In our State we must concentrate on the future. The economy is dependent on a well-educated public and this will only become

more important as young people begin a career pattern which is mosaic versus unidimensional in nature. Institutions have an important role to play in the delivery of traditional and nontraditional forms of education. It's the role of many to ensure that these programs are affordable. Thank you.

[The prepared statement of Ms. Cross follows:]

Statement of Andrea E. Cross
Director of Financial Aid, Saint Joseph's College of Maine
before the US Senate Committee on Labor and Human Resources

Monday, May 5, 1997

My name is Andrea Cross and I am the Director of Financial Aid at Saint Joseph's College in Standish, Maine. I am pleased to have this opportunity to speak to you today with regard to the accessibility to higher education in our state and throughout our nation. As a financial aid administrator at a small, private, Catholic college, I have a hands-on perspective of the dilemmas faced by our families each day regarding the financing of higher education. My role at Saint Joseph's is to ensure that students who qualify for admission to our educational programs are able to find the financial resources necessary to attend. This is a challenging task and we, regretfully, do not always succeed.

In fact, there are probably many parents who feel that I am not an appropriate choice to speak on this particular panel - that the financial aid process with all of its regulation and jargon, and hence, its administrators, are an obstacle to higher education rather than a source of support. However, I have the "advantage" to be in a position to see a larger picture - one which includes many, many families from Maine and elsewhere, and I see them struggle both financially and emotionally with the choices which the current educational arena creates. There are many financial aid programs which are of tremendous value to our students - grants, scholarships, work opportunities, and student loans - however, the level of funding is not typically sufficient to meet the full cost of an education. Most families are paying their "contribution" and more.

I welcome this opportunity to examine my role from the point of view of the consumer. This time of year is one of turmoil for students who plan to continue their education in the fall. It is also a time of turmoil for those many students who decide that education is not something available to them or valuable for the future. Even those who express an interest in higher education do not always have the support systems in place to make the dream a reality.

From my vantage point I see how families struggle to pay or even in some cases refuse to help pay for a son or daughter desiring to attend college. Let me share with you some excerpts from letters received by members of our campus.

> "We are a family that live from week to week. This past year has left us one paycheck away from homeless. . . . If you have met [our son] you know how much he wants to be there. We have been paying tuition for 16 years from nursery school so [he] could have the best education possible. It was the only thing we could give [him] during his life that we felt was worthwhile."

Andrea Cross, Saint Joseph's College

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Another concern which is also reflected in the number of students who choose to pursue higher education is the preponderance of loans as the means of financing. For some it is difficult to examine education from an investment standpoint and the cost and risk of borrowing is not well-received. For others, student loan debt is unacceptable when the total, particularly when a parent is unable to borrow because of adverse credit, can range from $17,000 to $35,000 in Federal Stafford Loan funds for an undergraduate degree. While the cost of default is reasonably low in Maine - more and more students are using loans and this has really been the only federal program for the "middle income" students.

In our state we must concentrate on the future - the economy is dependent on a well-educated public and this will only become more important as young people begin a career pattern which is mosaic versus unidimensional in nature. Institutions have an important role to play in the delivery of traditional and non-traditional forms of education - it is the role of many to ensure that these programs are affordable.

Senator COLLINS. Thank you very much. Melissa, are you the first person in your family to graduate from college?

Ms. CHASSE. Yes, I am.

Senator COLLINS. Would you have been able to go to Husson without the student loan programs and the Pell Grants and the other forms of Federal assistance?

Ms. CHASSE. I would like to think I would. I think that if I really wanted to go, that I would find a way. There's people in my family or in my extended family, I think, that would have helped me if I needed their assistance. But the Federal aid definitely makes it more accessible, not just to me but to many, many other students.

Senator COLLINS. In your high school class, do you happen to know what percentage went on to some sort of postsecondary education?

Ms. CHASSE. There weren't very many of us. I can think of five right off the top of my head out of 30 that went to college. And there's only three of us that I know of that are graduating.

Senator COLLINS. So only three out of 30 in your high school graduating class have actually completed some sort of postsecondary education that would include technical colleges as well as, perhaps, a 4-year program?

Ms. CHASSE. I'm thinking more along the four-year program. I'm not sure of those that went to the two-year colleges.

Senator COLLINS. And why do you think that is?

Ms. CHASSE. I think a lot of kids in Maine, not necessarily just from my community, don't have the incentive to go on to college. A lot of the jobs available in Maine are jobs that they can step right out of high school and do. Right now in my job search I'm finding that the jobs that I'm applying for I could have done when I graduated from high school.

Senator COLLINS. One of the things that I've noticed since I travel around the State is that it used to be with a high school education in Maine you could get a good job in a paper mill for the rest of your life, but that has changed.

I mean, if you go into a paper mill such as in East Millinocket, the relatively new recycling mill, it's now all computer operators. It used to be that with a high school education you could get a good job, make a very good wage. And one of the mill managers told me—actually, in the Old Town mill—that it had been 10 years since the mill had hired someone with only a high school education.

And a part of the job we need to do in Maine is to let people know that a high school education isn't going to be enough anymore in order to get a good job, particularly if people are changing jobs more in their life.

What kind of debt burden are you starting out with? Have you added it up?

Ms. CHASSE. Yes. I'm in the $18,000 range for loans that I need to pay back. Those are my Federal Stafford loans, which came to roughly $17,000, and I have a Federal Perkins loan for 1,500.

Senator COLLINS. Do you think that some of the students in your high school class were discouraged from going on to college because they were frightened of that, taking on that kind of debt?

Ms. CHASSE. I'm sure some of them were, but right now is when I'm realizing that I have that debt to pay back. I don't think it's something they think of when they're looking at college.

Senator COLLINS. Senator Jeffords.

The CHAIRMAN. Yes. Very excellent testimony, Melissa.

Jim, I'd like to talk with you. I think you are representing a very, very critical piece of the situation with respect to kids going on to postsecondary education. I would like to refer to it as post-secondary now because of the changing needs of our society.

Of those that drop out, 50 percent go. Is there a linkage to income categories between that 50 percent who drop out and those that do start college? Have you found knowledge whether those who drop out are mostly ones that came from families that had less means.

Mr. PEACOCK. That's a difficult question because oftentimes, you know, middle-income families, maybe on paper or through the formula, look like they can afford more than they can; and so they end up incurring more debt and they end up oftentimes getting into more financial difficulty than someone who is actually on—maybe on the lower end of the income.

I think that a lot of them is due to clearly the financial aid. They get into their sophomore year, they get in over their heads. I don't know if I can correlate it to a specific income range, I do see that as a particular area of concern, that debt comes up, they're in their sophomore year and then they're faced with more loans.

The CHAIRMAN. Now, while counseling young people in the schools, and with the increasing need for higher skill levels, do you find that there's more and more interest in the nontraditional skill training or community colleges or other skill training than there used to be?

Mr. PEACOCK. There's clearly more of a need. When you look at 30 years ago, 60-some-odd percent of our jobs were for—for unskilled labor. And now that's swung to 65 percent of all jobs are for skilled areas, which means 1-year, 2-year technical colleges or training programs of that type.

But they're oftentimes not glamorous, so when you're talking to a junior trying to get them—you know, what do you want to do when you get out of high school, they're always—the pat answer is a 4-year college. To study what? I don't know.

I mean I had a student at Gardiner High School when I was there who clearly needed to go to a technical college. He loved hands-on, he loved—he loved that whole style of work. And—but he was in a peer group that was 4-year college, 4-year college, 4-year college. And he made it in a specialized program at the University of Maine Orono, he lasted about a year or so. And ended up in a 2-year technical college system and has done quite well.

But the peer pressure there in high school and the expectations of parents, to me that's one of the atrocities. I mean, some of the parents are saying, you will only consider a 4-year college degree. But I don't want to go for a 4-year college degree. But you will. I mean, I know parents who said, you will apply to Tufts. I don't want to go to Tufts. You will go apply and you will get accepted because that's where I went.

And those are the kind of attitudes that are badgering these 16-, 17-, 18-year old students, and saying, what are realistic choices for me. And it is really hard to get over that peer pressure.

The CHAIRMAN. I'm asking you that because I'm trying to figure out nationally where our problem is in this regard. Right now we have a 190,000 jobs available in the education, technology-type areas which are 20, 30, $40-an-hour jobs. And you mentioned the desire of parents to get their kids out of the house. You know, if parents knew that if their kids had the proper school training they could pick up a 20, 30, $40-an-hour job. . . .

What do we do to try and solve this national problem of getting young people interested in the skills, or getting the schools interested in providing the skills?

I make a comparison: Europe, for instance, these skills are obtained in the high schools, they're not obtained in the technical schools after high school. What we have to do somehow is to alert our State educational systems that they have to provide that technical education. Is anything being done in Maine along those lines? How are you coming with math standards and things like that?

Mr. PEACOCK. Well, I would—how do I answer this? Well, a technical college system is a 95-percent placement rate in the field of study. That's astounding. So, obviously, what they're training people for is working.

Now, you go to a four-year college and I'm not sure that any college that I'm aware of can say they have a 90-percent placement rate of every single graduate from Husson College going to work in their field of study, or any—any college that I'm aware of.

So there's this tremendous need to continue to support, I believe, the technical college system and some of these one- and two-year entry points for students. One of the difficulties is somebody says I want to go to Orono; well, you have to have a thousand on your SATs or better. Or if you don't have those SATs, then I'm a loser, then I'm not going to make it.

And we need to—we need to continue to beef up entry points for these students. And UMA, University of Maine Augusta, does a fine job with allowing students access to this world and—of post-secondary education. I just ran into one of my former Gardiner students just the other day who went to UMA for a year and ended up at KB Tech, respiratory therapy. And he's going to do great; he's doing excellent there.

And I think these entry points and encouraging students to consider the one- and two-year options as a starting point are where we need to spend our efforts, educating parents, educating school counselors, educating, you know, the committee in general.

The CHAIRMAN. Thank you, that's very helpful. And, Andrea, that was very pertinent testimony that you gave and I appreciate it.

Do you have any comments relative to what we're talking about?

Ms. CROSS. I guess two comments, I would say. One is, before the financial aid or the financing of education ever should have a place, I think the fit in a particular educational system is the most critical thing, whether it be a four-year college or a technical or a six-month program. The fit is the most important part, then financing can fall into place after that.

Second, in terms of having jobs available in the Nation for which students aren't being educated, I think there's a lack of recognition of the value of education, that the cost outweighs what is seen as the value. And that there does need to be some kind of education of the public and of those—running those programs and trying to develop some nontraditional programs to meet the needs of people so that they don't necessarily have to leave their workplace, or students could work and attend school at the same time. There is not a necessarily requirement that someone attends a college physically every day of the week to become educated. And I think those kinds of things need to be examined.

The CHAIRMAN. Thank you very much. And thank you, Senator Collins.

Senator COLLINS. Ms. Cross and Mr. Peacock, I have one question that I would like each of you to respond to.

One of the—the jobs that we have in Washington is deciding what gives us the best bang for the buck, if you will, in the Federal financial aid student loan area. The president has proposed having tax breaks and deductions which would help middle-income families afford college for their children more easily. There are also the Pell Grants which are aimed at our neediest children, and then we have the student loan programs.

If we have a set amount of money to invest in education, what do you think—what would your recommendation be to us as to what our priorities should be? Should it be expanding Pell Grants, should it be beefing up Federal financial loan programs, or should it be the tax breaks that the president has proposed? Ms. Cross.

Ms. CROSS. I would say that I think the tax breaks are probably important for our middle-income families. But as a financial aid administrator, I certainly don't want to see Pell Grants undergo any more cuts then they have to be.

I think one of the areas—to take a step back, would be to develop a true need-analysis formula so that Pell Grants are going to the correct families and that the Federal formula is really examining what a family can pay versus simply being an illegibility index, which is all it has become in my opinion at this point.

So if you took a step back and really looked at the formulas, then both of those things could probably happen, both the tax cuts and as well as the Pell Grant funding.

Senator COLLINS. Thank you. Mr. Peacock.

Mr. PEACOCK. Well, to me the program issue sort of sticks in my throat because the intent of the Pell Grant, I think originally, was to—to cover the cost of 50 percent of tuition for students. And it's now dropped to—and I don't remember all the quotes—but you had mentioned for public schools that 14-or-some-odd-percent.

It's—so if we're going to call it a Pell Grant and if we're going to expect it to pay 50 percent of the tuition, then we need to get that back up there. Because to think that a low-income family can incur more than that, is—is doing them a disservice.

So I really believe that those Pell Grants really need to be—to be beefed up and I—I like the idea of the tax cuts and also for middle income. Because those people are often—and I'm going to be one of them in a couple years, you know. We're going to be scrambling for money. You know, I don't—I don't have, you know, an

extra $7,000 a year sitting around. And at least with a tax cut, you know, I would be able to wash some of it out at the end of the year.

But those Pell Grants are so critical that we—when they're only covering such a small percentage of the tuition cost now, it's, you know, why bother. That's what happens with some people, why bother, I can't do it.

Senator COLLINS. Thank you very much. And my thank you to the entire panel for your testimony.

The CHAIRMAN. If I could make one comment on Pell Grants. While we raised this Republican's thing up to a $300 raise last year, the President skipped through them and they've agreed to another $300 this year. So we're trying. But that's that's 10 percent or so each year.

Where do you have to go to make them where they used to be? Where would you like to see the Pell Grant level? Double that?

Mr. PEACOCK. My understanding was it used to be close to—covered 50 percent of the tuition for a public institution, I think, was the original——

The CHAIRMAN. But what would that be in Maine? I guess that's what I'm asking.

Mr. PEACOCK. Tuition at Orono—somebody probably behind me knows.

Audience Participant. 12,050.

Mr. PEACOCK. Well, for tuition. Room and board at Orono is probably nine, so you're probably looking at five, maybe four or $5,000 tuition at Orono, State schools. So half of that, 2,500 bucks. You know I'm in the ballpark somewhere.

The CHAIRMAN. Thank you very much.

Senator COLLINS. Thank you.

Our second panel will present the perspectives of the colleges and universities including our technical colleges. I'm very pleased that we have the chancellor of the University of Maine system, Dr. Terrence MacTaggart, is here with us today.

Dr. Joyce Hedlund, who is president of the Eastern Maine Technical College, is representing the Maine Technical College System.

Dr. William Beardsley who is president of Husson College can speak from the perspective of a private college whose main mission is serving lower-income Maine students. And he's also our host today.

And Mr. Walter Moulton who is the director of student aid at Bowdoin College is representing Bowdoin's president, Dr. Edwards.

So I appreciate you all being here; I think it gives us a wide variety of perspectives, and please come forward. And we'll begin with the Chancellor.

STATEMENTS OF TERRENCE MACTAGGART, PH.D., CHANCELLOR, UNIVERSITY OF MAINE SYSTEM; JOYCE HEDLUND, PH.D., PRESIDENT, EASTERN MAINE TECHNICAL COLLEGE; WILLIAM BEARDSLEY, PH.D., PRESIDENT, HUSSON COLLEGE; AND WALTER MOULTON, DIRECTOR OF STUDENT AID, BOWDOIN COLLEGE, ON BEHALF OF DR. EDWARDS, PRESIDENT OF BOWDOIN COLLEGE

Mr. MACTAGGART. Good morning. I'm Terry MacTaggart, chancellor of the University of Maine system. And I'd like to thank Sen-

ator Collins, our own Senator Collins, and Senator Jeffords for giving us the opportunity to comment and spending this time in Maine. I would also like to thank Bill Beardsley and his colleagues for hosting this event in this wondrous facility.

I would also like to offer a couple of ideas on these topics, the situation of the University of Maine system in terms of the number of students it serves and so on. I would like to comment on the FAME study that Senator Collins mentioned earlier. And I think it's so helpful in giving us a better understanding of what Maine parents are thinking; Pell Grants, parental savings and tax-based incentives, if there's time before that little red light goes on.

The University of Maine system serves over 30,000 students; about 90 percent of those are residents of this State, and they come from every county in the State. About two-thirds of those 30,000 students receive some form of financial aid, the average being a tad over $2,800 per student. With the help of whatever financial aid they receive, students and their families pay about 60 percent of the average total cost for an in-state on-campus student.

Obviously, the less financial aid available, the greater the burden on the family, and the greater difficulties that they face. No secret to anybody that Maine and other New England states—but maybe Maine in particular faces some challenges in attracting businesses and creating the kinds of jobs for those graduates to enjoy once they graduate.

The linkage between per capita income, business development, economic growth is very strong and very tight. Thus, the gap between the number of talented, skilled Maine students who graduate from Maine's high schools typically scoring as well as the most—the strongest educational programs in the country, rivaling Minnesota and Iowa and other states.

But the gap between those talented students who graduate from a high school and the numbers that go on to college is particularly serious when we think that attracting business will depend more and more on the—on the talents and skills of our work force. It also seems to be true that there's an inverse proportionality at work here. The higher the cost, the lower the accessibility.

Interestingly enough I think people have been speculating about this and assuming this for a number of years. And then along comes—a few months ago—the FAME study, the Finance Authority of Maine study, also financed by Fleet Bank. And they—that study seems to demonstrate to me at least that, perhaps, it's not so much a matter of lacking a low aspiration, such has often been thought in Maine, or a fear that those aspirations will not be able to be financed or afforded by Maine families.

The thrust of that study was that indeed Maine parents want their kids to go on to college, two- and four-year. They fear that they won't be able to afford it or that the debt burdens will be excessive and with those students for the rest of their lives.

That brings me to a comment about Pell Grants and then on to the other topics that I mentioned. It is particularly because of these family concerns and because of the low income levels in Maine that the Pell Grant is so important. As—as Senator Collins mentioned before, the program addresses the needs of low- and moderate-income students. And I'm told that more than 90 percent of Pell

Grants go to families with income below $30,000. Interestingly enough, $30,000 is above the average family income in the State of Maine.

So as you consider the various priorities and how you allocate these scarce resources I would encourage you to give serious consideration to increasing that amount. I'm told that at one point in these negotiations the President made a request increasing the maximum to $3,000. And as I understand from Senator Jeffords' comment earlier, that as a result of the exchange process that may be down to $300. Any improvement is important, but in terms of helping those low income——

The CHAIRMAN. The total is $3,000. In the budget agreement they're going to raise it from $2,700 to $3,000.

Mr. MACTAGGART. I support that and it's certainly a step in the right direction. Thank you. Thank you.

There's another type of student that bears mentioning here and not often as visible as some of the younger students, the so-called older-than-average, nontraditional students are really the new majority in higher education. Any policies that make it easier for them to attend, particularly in light of their family responsibilities and their work load and so on, I think would also deserve your serious consideration.

I'll move quickly seeing the light giving me the signal. Parental savings; certainly one of the—one of the initiatives we should look at most seriously is encouraging and enabling parents to save more. We also need to insure them, though, that by saving they're not going to become eligible for less aid than those parents who buy the Winnebago today and don't worry about their child's education 10 or 20 years down the line.

Finally, the question on tax incentives; obviously, you know, they benefit and are appealing to the much beleaguered middle class in this country, but the folks that have a hard time making ends meet day to day, who don't think too much about and can't afford to wait for an income tax refund are going to benefit more from the Pell Grant benefits then they would from the tax break.

Final comment. You've given us an opportunity to mention some ideas about policy directions that you'll have to take. We have a responsibility as well, use the money wisely so the tuition remains affordable, communicate to all of our students, low income in particular, about the financial aid that is available. And, third, to partner with people such as those at this table so that there's a better fit achieved between student talent and aspirations and that kind of services we offer. Thank you very much.

[The prepared statement of Mr. MacTaggart follows:]

PREPARED STATEMENT OF TERRENCE J. MACTAGGART

Good morning, ladies and gentlemen. My name is Terry MacTaggart, and I am the Chancellor of the University of Maine System. The Higher Education Act has had a significant impact on Maine students and on every higher education institution in this State, and I thank the members of the Senate Labor and Human Resources Committee for the opportunity to contribute to the important task of reauthorization.

Higher Education in Maine

The University of Maine System serves over 30,000 students; almost 90 percent of them are State residents and they come from every county in Maine. About 67 percent of all students enrolled in our universities receive some form of student fi-

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nancial aid, the average being a little more than $2,800 per student. With the help of any financial aid they receive, students and their families pay for 60 percent of the average total cost for an in-state, on-campus student in the University of Maine System. Obviously, the less the financial aid, the greater the burden on the student and family.

As you know, Maine is not a rich State. Per capita income ranks below the national average. It is also a State which has a high rate of high school graduates, but ranks close to last nationally when it comes to the number of high school graduates who go on to college. In addition, Maine is finding it difficult to attract and develop the new businesses so necessary to its future economic success. Last year, a *Financial World* article on desirable places to do business in the United States ranked Maine 47th among the States.

Because education is a key component of economic success, all of these factors—per capita income, business development, economic growth—are interrelated. That is why we have to provide access to higher education for our young people.

The percentage of students who go on to higher education in Maine is cause for serious concern. If we are going to talk about access for these students, we also have to talk about costs because these two factors are inversely proportional. It's a very simple equation—the higher the cost, the lower the accessibility. The reverse of this equation is also true. The lower the cost, the higher the accessibility.

FAME Study

These relationships were made clear, once again, in a study done a little over two months ago by the Finance Authority of Maine (FAME). Today, escalating college expenses and the need to be able to finance these in a reasonable manner are of upmost concern to growing families in Maine. The study emphasized repeatedly that for both students and parents, cost was considered to be the most likely factor decreasing one's chances of going to college.

Pell Grants

Because of family concerns about costs, the Pell Grant Program, the cornerstone of the Federal Government's student financial assistance program, is critically important. Not only in Maine, but in States across the Nation, the Pell Program addresses the needs of low and moderate income students. More than 90 percent of Pell Grants go to families with incomes below $30,000, a figure well above the average per capita income in Maine.

The Pell program is a an efficient and effective delivery system for providing access for the neediest students, and I urge that serious consideration be given to a way to increase the maximum amount. Currently, the disparity between the actual and the authorized is almost $2,000, a significant amount of money for most Maine families. President Clinton's budget request calls for increasing the maximum to $3,000. If approved by Congress, this would be a step in the direction of substantially enhancing college access for needy students.

There is also another type of student that requires attention in this reauthorization. In 1992, Pell eligibility of single, independent students, or as they are classified, "nontraditional student?," was shyly curtailed when their subsistence allowance was cut almost in half. Given the fact that these students are working to support themselves while they return to school, it is important that they be allowed to retain a greater percentage of their earnings before being asked to contribute to the costs of their education. This is especially important because many of them are raising families while they attend school and hold down a job.

This issue is becoming more critical as the number of nontraditional students increases. A report in the Chronicle of Higher Education found that the proportion of college students age 40 or older doubled between 1970 and 1993. When we first began tracking the age of our student body in 1977, the average student was about 25 years old, and only 6 percent of our students were 40 years or older. With the fall 1996 enrollment, the average student was almost four years older, and the percentage of students age 40 or older had more than doubled to 15 percent of our student body. Although these numbers reflect a nationwide trend, I believe they have special significance for Maine. I suspect that many of those high school graduates who did not go directly on to college are making the decision to continue their education once they are out on their own. They deserve a chance to succeed.

Parental Savings

Because of scarce resources at the local, State, and national levels, we must also think seriously about reducing the pressure on government funds. This can be done with inducements for parents who have the resources to save for their children's education. For these parents, tax code changes can provide incentives, but only if they do not penalize parents for their foresight. Need analysis can work effectively for these parents provided it is based on actual financial circumstances at the time of application. To do otherwise would be to perpetuation the perception, recently ex-

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pressed by parents in the FAME study, that the less you have saved, the more you will qualify for financial aid. This situation needs to be addressed or the disincentive to save will only become greater.

Tax-based Incentives

While it is important that we use the tax code for the creation of new higher education support programs, need-based aid grant programs offer the most efficient and effective way to increase access among the neediest students. Low-income parents are either unable or understandably reluctant to assume large amounts of debt to educate a child, especially if they have a large family. Without need-based aid, a college degree will cease to be accessible to these families. As we saw in the 1980's, there was a disturbing correlation between increased emphasis on loans and a substantial decrease in college participation among low-income families.

For this reason, I am not certain that the Hope Scholarships and the tuition tax deductibility proposals will allow Federal dollars to do the most good. Certainly they will help the beleagured middle class, but there is the possibility that these proposals will redirect funds away from the more needy financial aid recipients to benefit those at the upper levels of the eligible income range.

It is critically important that we maintain a system of higher education that is open to all citizens regardless of their ability to pay. We in the universities also have a strong responsibility to make certain that the monies allocated for these purposes are put to good use. This demands that we simplify program delivery and improve management. It also requires a strong communication effort. Ironically, studies have proven that the very students who need information about financial aid the most, are usually the ones who know the least about obtaining it. This is a responsibility that the universities have to undertake. I firmly believe that we cannot begin soon enough to give students information on how to finance a college education. One way to accomplish this is to develop stronger partnerships with the K-12 schools. This is an excellent way to reach both students and parents with financial aid information at a time when it is still early enough to plan and to save.

I thank you for having the opportunity to share these thoughts with you today.

Senator COLLINS. Thank you.

Dr. Hedlund.

Ms. HEDLUND. Thank you Senator Collins and Senator Jeffords for allowing me to speak to you today.

Maine's seven technical colleges offer high quality 1- and 2-year technical education at the lowest tuition rate in the State, and few people can argue that low tuition is the best kind of financial assistance. The colleges are vital to the economic development of the State of Maine and have a proven track record of an 85- to 90-percent placement of students in the fields for which they have trained.

85 percent of our graduates remain in the State of Maine. And about 35 percent going on to 4-year postsecondary education. So they're working and going on to postsecondary education beyond the 2-year level.

The student profile for Maine's technical colleges include the following: Of the 1996 entry class of 1,645 students, 70 percent are receiving financial aid. Approximately 50 percent graduated from high school in the spring of 1996. The average age of our students is 26. In the fall of 1996 the technical colleges conducted a survey about tuition costs. The response rate was over 60 percent.

Students' self-reports identify that 77 percent of Maine technical college students have incomes less than $15,000. 22 percent of full-time students and 59 percent of part-time students reported working over 21 hours per week. Seventy percent of the students, again, reported receiving some form of financial aid. 56 percent reported that they were borrowing to pay for the their college education.

Of a total financial need of $17,782,000 the colleges have funded $11,297,000 leaving an unmet need of $6,485,000. The colleges are using Pell Grants, Stafford Loans, veterans' assistance, Maine Stu-

dent Incentive Scholarships, Federal Work Study, and other college resources such as campus-based college scholarships and tuition waivers and work study studies.

We are heavily dependent on our Higher Education Reauthorization Act to help our students convert educational dreams into reality. The Maine technical colleges support the 10 points put forward by the American Association of Committee Colleges.

When reviewing HEA, several plans raised concern on my part. These include making Pell Grants tuition-sensitive, access to aid for single independent students, increased Federal regulations and intervention, and the threat of making short-term vocational programs ineligible for aid.

A proposal making Pell Grants tuition-sensitive will not send the right message to Maine citizens. Our college matriculation by high school graduates is amongst the lowest in the county as we've heard here today. Basing financial aid on the perceived value of an education, whether a 2- or a 4-year education, will increase the difficulty of our battle to raise aspirations and educate Maine citizens to be technologically proficient.

I urge you to maintain and improve the current Pell Grant award rules and to restore aid eligibility for single, independent students in order to reduce their need to borrow. Ineligibility of shorter term vocational programs will prevent us from helping a population of students who, first, cannot picture higher education as part of their future; and, second, who need shorter more—need a shorter more-attainable goal.

Some of the HEA plans call for verification of academic achievement and freedom from drug use. The flood of Federal information and new regulations, proposed regulations, final regulations, changes in regulations, and SPRE is overwhelming and costly to the colleges. Thousands of pages are printed, and our financial aid officers are expected to understand all these fine details. We are faced with more work, less time, and limited staffing to complete the various reports. Simplify rather than complicate the procedures and do not add more burdens to our already busy financial officers.

Most of us will agree that learning is a life-long pursuit. Industry is demonstrating that to its employees on a daily basis. Education is not an attainable goal for a number of Maine citizens. Business is picking up the pieces by having to educate the work force at some very basic levels.

Now is the time to show our citizens the way to a better future by celebrating education. On behalf of the public technical colleges of Maine, I ask that you help us to remain public servants by funding financial aid programs which allow us to remain true to our mission of providing an educated work force for the State. Thank you.

[The prepared statement of Ms. Hedlund follows:]

PREPARED STATEMENT OF JOYCE B. HEDLUND

Maine's seven technical colleges offer high quality, one and two year technical education at the lowest tuition rate in the state. The colleges are vital to the economic development of Maine ad have a proven track record of 85–90 percent placement of students in the fields for which they trained. 85 percent of our graduates remain in the state.

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In the fall of 1996, the technical colleges surveyed students with regard to tuition costs. The response rate was over 60 percent. Student self reports identified that 77 percent of Maine Technical College students have incomes less than $15,000. 22 percent of full time students and 59 percent of part-time students reported working over 21 hours per week. 70 percent of the students reported receiving some form of financial aid. 56 percent reported that they were borrowing to pay for their college educations.

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Senator COLLINS. Thank you very much.

President Beardsley.

Mr. BEARDSLEY. Chairman Jeffords, Senator Collins, thank you for this opportunity to testify on financial aid. And to delve into the world of financial aid is rather like reading the medieval novel, The Name of the Rose, by Eco. It is a world of shadows and enigmas in the name of a greater good. And to mix metaphors, I would suggest the solution is simply to sever the Gordian Knot.

I suggest that Congress radically simplify the system, dismantle the financial aid industry, provide singular assistance to individuals based solely on need, and let competitive free enterprise forces do the rest.

A tepid first step is to reduce or eliminate other financial aid programs as a means of fully funding the need-based Pell Grant. If Pell funding had kept pace with inflation since its inception in the 1960s, it would max out at around $5,000 per student today in-

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stead of the actual 2,700. Even Pell, however, varies with institutions not just the individual's basic need.

The significant step to be taken would be to provide a low-income individual with an educational voucher based not on the cost or price of education, but solely on the individual's inherent need. This approach is centered on the simple notion that our society can and should redistribute some income based on need and can have a reasonable expectation; in return, that the individual seek work or education.

Such a voucher should not be limited to institutions of higher learning, but should be usable for bonafide industry training programs as well. The Federal government should measure success by career outcomes and individual's needs met, not by institutions.

Let me give a real life example of Nicole, mother of three living in rural Maine with a family income of $27,000. Nicole commutes one hour each day to attend Husson. By formula, she qualifies for a $400 Pell Grant, a mix of subsidized and unsubsidized loans, no State aid, a college discount, possible work study, and a family contribution of 2,700, all based on the cost of tuition, fees, books, travel, day care, etc, etc.

This process is complex, time consuming, and fraught with interpretations. Let's just consider one textbook, a reprint that is priced at $70 even though the cost of production is less than $10. Would that textbook cost $70 if it was not part of the Federal formula? Multiply the book's example by 20 times for other calculations and the world of financial aid becomes a room of smoke and mirrors.

It is not that anyone is being unlawful, it is that everyone is optimizing their resources based on complex Federal guidelines, and Nicole gets marginalized in the process. Based on family income and need, I would recommend Nicole simply receive an education voucher for a fixed amount of money and let competitive forces do the rest. Incidently, this would not necessarily help Husson College; I think this is the right thing to do.

In closing, such a change would have to be phased in because it involves the dismantling of an entire multibillion dollar financial aid industry and bureaucracy and would cause massive financial aid adjustments at colleges and universities. Institutions would simply need time to make changes. But in the end such a streamlining of assistance and prioritization of the process will significantly better serve the students in need. Thank you.

[The prepared statement of Mr. Beardsley follows:]

PREPARED STATEMENT OF WILLIAM H. BEARDSLEY

My name is William Beardsley. I am president of Husson College and chairman of the Maine Education Assistance Board. Thank you for this opportunity to testify on financial aid.

To delve into the world of financial aid is rather like reading the medieval novel entitled "The Name of the Rose" by Eco. It is a world of shadows and enigmas in the name of a greater good. To mix metaphors I suggest the solution is simply to sever the Gordian Knot.

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Senator COLLINS. Thank you very much for that provocative testimony.

Mr. Moulton.

Mr. MOULTON. Thank you very much Senator Collins, Senator Jeffords. I'm pleased to be here. My remarks this morning are really going to be very program specific. I wanted to introduce three things to you, three proposals.

One is an alternative to the Perkins loan program. The second is consolidation of PLUS loans. And the third one which embodies a substantial policy shift is entitled: Using requirement assets to help with educational expenses.

I have been through, I think, six reauthorizations since the early 1960s. I've had a chance to observe a lot of them. And my reaction today, or my testimony today, is—is quite specifically program oriented for some of the reasons that I've seen in prior reauthorizations.

First, the Perkins loan program. I may be the only financial aid officer in the United States of America who's really going to recommend that you do away with the Federal financial aid program under Title IV. But I believe that the advent of Stafford and direct loans have made the continuation of Perkins in its present format really unnecessary.

I'm not really asking you to do away with the Perkins, I'm asking you to change it. I'm asking you to give title to the money to the colleges and let them use it for grants and loans in a somewhat different way. It seems redundant to have a direct loan program and a Stafford loan program and then a second direct loan program simply called Perkins.

The possibility of saving a lot of money of doing it this way is right there, about $1.1 billion in the next 7 years. And I think that it's reasonable, in fact, to do this kind of consolidation when you look at the reauthorization program every 2 years.

The second proposal is consolidation of PLUS. PLUS loans have become enormously popular and the program has grown very, very substantially since 1992. It was used in minor ways in an institution such as mine, about $300,000 a year, it's over two-and-a-half million dollars now. And more and more families are finding it possible and desirable to have a PLUS loan because it substantially spreads out the cost of education.

I want to draw a quick comparison from my own life. I have four children, they're all educated. That gives me the capacity for 16 PLUS loans, and no way of combining them. It's—it's crazy, I believe, to have that many different loans in the name of one borrower and simply separating them by the names of children who attend different colleges at different times.

In order to make sure that we run the program effectively and efficiently and the Federal government does not lose anything in

the process, why couldn't I take all 16 loans, if I went that far, since I'm the single borrower, and pay everything back on a consolidated single note basis?

The ability to combine those loans is a very, very simple kind of things, it already exists under the Stafford loan program. And extending it to the PLUS loan program, I think, makes enormous good sense. It's just that the program has grown very rapidly in—in the last several years, and I don't believe we've really had adequate time to think this kind of technical but simple adjustment out. I think it's time to do so.

The last thing I wanted to bring up was the paper called using retirement assets to help with educational expense, and this would be a substantial policy shift. Right now the premium is on borrowing and paying back, and relatively few families prepare in advance. At the same time since the Pension Reform Act in 1969, Americans have been saving an awful lot of money.

They have been saving it in IRAs, in Keoghs, in 401(k)s, and 403(b)s and TBAs and a variety of other instruments. And the money has gone foul in their 40s and 50s. It's invested, yes, but it's lying foul while these people in their 40s and 50s are waiting retirement. Why not give them access to it? I don't mean drawing it down as it's—as it has been proposed, I mean borrowing against it with an insistence that the one who borrows pay the money back and pay it back in interest so that it will be there for retirement purposes when it's needed for requirement purposes.

I would even go so far as to say give a possible tax break for the interest paid. You're going to get the money sooner or later anyway, and you're going to tax it when it's drawn down.

Will this help people with very high need, no, because they don't have such resources. But giving access to such resources for those who do have them may, in fact, make it possible to avoid two bites of the apple. If I can draw down on my resources and pay for my children's education, should I also be entitled to an interest subsidy from the Stafford loan? Why not, in fact, take what resources you do have and rearrange them so that they work better for the people who need them the most.

If you give middle- and upper-income families access to their own resources under favorable terms, you can strongly encourage them to save, you can encourage the people they work for, the corporations and companies, to help underwrite such programs as well. And then use your own resources, the limited funds that are available to the Federal government, to do a more effective job of meeting the needs of the highest and the neediest students that you're dealing with.

With that I'll close and I'll be prepared to answer any questions you have. Thank you very much.

[The prepared statement of Mr. Moulton follows:]

PREPARED STATEMENT OF WALTER H. MOULTON

In the short time allowed for oral presentation, I am submitting three items for the committee's consideration with regard to the Reauthorization of the Higher Education Act. I will introduce these topics in the following order and make a few brief remarks about each.

- An alternative to the Perkins Loan Program.

1. Greater flexibility in the use of the Perkins Loan Program resources for both students and institutions.
2. Budget savings available to the Federal Government.

• Consolidation of the PLUS Loans.

1. An extremely successful program that has grown considerably since the 1992 Reauthorization.
2. Combining loans to protect the Federal Government's interests and to improve the administration and servicing of PLUS loans.

• Using Retirement Assets to Help with Educational Expense.

1. A significant policy shift from borrowing to saving for college in advance.
2. Allows the Federal Government to target available aid resources more effectively to those with the greatest need.

I will also be prepared to answer any questions the committee has with respect to college cost, current programs and the various proposals that have been advanced for restructuring the Higher Education Act.

Consolidation of PLUS Loan

With the increased reliance on PLUS loans that has occurred since the passage of the Higher Education Amendments of 1992, it is time to give serious thought to a consolidation feature that will help borrowers deal with the complexities of multiple loans in this program. A single parent borrower may have several loans for one child, perhaps even several loans for each of several children, and the loans may be financed by multiple lenders adding further to the confusion for all involved. At present, each loan is separate with its own payment schedule and payment terms. Combined payment through one loan servicer is possible, but each loan balance must still be accounted for separately over variable time periods. Little attention has been paid thus far to aggregate debt: it might make sense to extend the payment term and capitalize on the efficiencies to be gained by combined servicing of multiple loans for a single borrower. Some sort of consolidation feature similar to what is available in the guaranteed loan program for students should be made available during the next reauthorization.

It makes no difference if PLUS Loans are taken at different times for different students at different institutions when there is only one parent borrower making loan payments. Each new loan for a single borrower can and should be consolidated with previous loan balances, automatically, and at no cost to the borrower. This will mean a new ten year payment schedule for the aggregate balance with a single payment based upon that balance. It also means that the aggregate debt will be owned by one lender and administered by one servicer, a more efficient arrangement for all concerned. As aggregate debt increases beyond a certain level, an option to extend the repayment terms beyond ten yours may be appropriate. Monitoring total debt and perhaps regulating it may also be in the public interest as the PLUS program matures and as borrowing increases. Consolidation of debt by borrower makes far more sense than administering multiple loans by student beneficiary and it is time to provide such a provision in the PLUS program.

Using Retirement Assets to Help With Educational Expense

For the last twenty-five years or so, retirement funds for some individuals and families have been growing. Through both individual and employer efforts, a large number of people now have vested retirement programs of some consequence, and both the number and value of such holdings is growing. In many cases, these are assets that are not being claimed now and will continue to grow in the years ahead until the money is needed for retirement purposes.

It should be possible to call upon these funds in the interim to help individuals meet their own educational costs and/or the educational expenses of their children while still preserving their value for retirement later. As public policy, it would make good sense to allow people access to their own retirement funds to help pay for the cost of education, especially the education of their children. Allow those who own such funds (IRA, Keogh, 401(k), 403(b), etc.) to borrow from them to pay for legitimate and verifiable educational expenses with the provision that such loans would have to be paid. At interest, over some acceptable period of time, say 10–15 years, so that the funds would still be available when needed for their primary purpose. The amount borrowed should be available without penalty to some reasonable limit. As a further incentive, the interest on such loans could also be tax deductible. Those with access to such funds may no longer need or may be limited to direct Federal support such as loan guarantees or interest subsidy, at least as such benefits exist now.

With such a program in place, the incentive to save is greater both for individuals and through corporate sponsored plans. It encourages people to save, save more and start earlier since they benefit in multiple ways from their efforts. At the same time, it reduces pressure on the Federal Government to use public funds to underwrite what families can do for themselves. It will not help the most needy, those who are unlikely to have such resources, but it should enable the government to target its aid funds more effectively to those with the greatest need. At the same time, it encourages savings and capital investment in ways that benefit society at large over the long term.

An Alternative to the Perkins Loan Program

After thirty-seven years of continuous operation, it may well be that the Perkins Loan Program has outlived its usefulness. Short of massive annual appropriations, which appear unlikely, and considerable administrative overhaul, Perkins does not function well as either a supplement or a complement to the Federal Stafford Loan Program. And, with the advent of the new Federal Direct Student Loan Program it makes no sense for the Federal Government to operate two direct loan programs by maintaining Perkins.

To preserve the capital that has already been invested in the Carl D. Perkins Program by both the Federal Government and the colleges which have contributed to it, and to keep it working in the best interest of current and future needy students I offer the following suggestions:

1. Eliminate annual appropriations from the Perkins Loan Program thus saving $158 million dollars or so per year in Federal expenditure.

2. Pass legislation giving each postsecondary institution title to its current Perkins Fund, with the provision that both the accumulated Federal and institutional shares must continue to be used for needy students in one of the following ways:

(a) The institution may choose to maintain the Perkins Fund as a permanent revolving loan fund for needy students. Allow each postsecondary institution with such a fund to operate it as a supplementary institutional loan program or to lend under the Federal Stafford Loan Program in its own state as a primary lender (not just as a lender of lost resort), but only to the extent of amounts available from repayment of principal earned on loans, or to some prescribed limit based upon student need if institutions are allowed to add any capital contributions of their own. The loan funds thus available will be controlled by educational institutions to meet the needs of their own students as the institutions best perceive them. The educational institutions will be losing future Perkins Federal capital contributions but they will be preserving current resources and adding any interest subsidy earned to meet student need in the years ahead. Such an arrangement will also have the solutary effect of concentrating and consolidating student debt under one loan program with a common set of repayment terms. It also opens up all sorts of administrative and servicing possibilities for colleges and universities that are not available under the Perkins Loan Program now, including the sale of loans to secondary markets. Colleges thus gain the chance to circulate their loan capital faster to meet the needs of more of their students.

(b) The institution may choose to use Perkins funds to provide grants to students thus helping to correct any growing imbalance between grant and loan aid that affects its own students. The institution that chooses this option should be given the freedom to use Perkins Funds, as prior borrowers repay loans, directly, or to deposit such payments into an endowment fund so that Perkins Grants will become a permanent part of that institution's resources for future needy students.

Given the broad range of student needs at various institutions around the country, it is desirable to allow institutions as much latitude as possible in determining how best to use the funds as loans or grants, provided that needy students will continue to benefit from the rich legacy of the Perkins Funds that have been accrued over the last few decades.

In summary, the benefits are widespread. The Federal Government reduces annual appropriations by about $158 million dollars per year or about 1.1 billion dollars in the next seven years. The government gives up title to the asset in the process, but it would take many years to collect outstanding Perkins Loans at any rate. The collection process is costly and colleges would have to be reimbursed for their share over that period of time. Instead, the Perkins Funds will not be lost: both the Federal and the institutional shares will continue to function at collective to help needy students with Perkins grants and loans long into the future, and that has been the motivation behind the Perkins Program all along.

BENEFITS AND LOSSES

I. Federal Government
(a) $158,000 annual savings
(b) 1.1 billion over seven years
(c) Administrative savings by eliminating a complex loan program; staff can be used to help with other Federal aid programs.
(d) Loss of the receivable but it would take 10-20 years to get it back at any rate; colleges would have to be reimbursed on their share of the Fund; and the cost of collecting the loans is avoided.
(e) The national treasure that is the Carl Perkins Loan Program continues to function on behalf of needy students, which was its intention all along.
II. The Colleges and Universities
(a) They obtain title to the corpus of the Perkins Fund but only to continue funding needy students.
(b) The capital they acquire can be used more flexibly, i.e., for loans or grants depending upon the circumstances of the students at the institution.
(c) Administration of loans or grants can be less costly and far simpler than it is at present.
(d) The college must leave its share of Perkins in the Fund regardless of how it chooses to use this resource.
III. The Students
(a) Money that is badly needed remains available to students.
(b) Borrowing and repayment can be simpler depending upon the option selected by the institution.
(c) The loan grant imbalance at some institutions can be addressed depending upon the option selected by the institution.

Senator COLLINS. Thank you very much. I'd like to thank all the panel for coming up with such interesting proposals. That's the kind of testimony that we were hoping to get today.

I'm a very strong supporter of the Federal financial aid programs, particularly the Pell Grants, because I think as the Chancellor and others have said, that they're really key if we're talking about expanding access.

But one of the issues that we're struggling with is if we put more money into these programs, if we increase the Pell Grant, say, to $5,000 so that it covers a greater percentage of tuition, what will stop all of you from raising your tuition? If you raise your tuition in response to our putting more money into higher education, then we've done nothing to expand access. All we've done is make it easier for you to—to put on what are excellent programs to be sure.

But that is an issue that I am really concerned about. As a Republican I'm certainly not for the Federal government setting tuition rates, or putting caps, or getting into micro-managing colleges. But I'm concerned that if we put more money into the system, will we really expand access which is what we want to do, or will we just make it easier for colleges, universities, other postsecondary education institutions to increase their tuition or to stop their institutional support and their discounting.

Could we start with the Chancellor on that issue.

Mr. MACTAGGART. Thank you, Senator Collins. The answer to your question I think probably involves, in part, a judgement call, but let me offer two observations.

One is, I think with their marketing hats on, college presidents have learned that we're at a point where tuition—the demand has become somewhat elastic in the sense of as we continue to raise tuition we see fewer and fewer people coming and therefore net revenue going down.

So there are pressures that might—might be modified a bit with the changes you describe. But, nevertheless, I think there's been a

change over the past 10 years and now there's genuine realization that raising tuition doesn't necessarily yield greater total revenue.

OK. So the market is working to put a downward pressure or a contained tuition at least even, and I think that would continue to operate even with the changes you describe.

Second, in speaking for the University of Maine system, we want to build enrollment; that's another way of saying we want to increase access. We do that primarily through keeping things affordable. And I think you will help us to keep things—to keep tuition affordable rather than giving us a license to—to raise tuition yet further.

So I think there's been a change in the last decade and I think the market pressures are now such that they're favoring low tuition and you'll—perhaps your concern might not need to be as intensely felt as it is because of that.

Senator COLLINS. Dr. Hedlund.

Ms. HEDLUND. What I have seen in the Maine technical college system is a real tie to the economy and to the State. And the presidents really hesitate to raise tuition in any way because it does exactly what Chancellor MacTaggart is saying, it impacts your—ultimately impacts your enrollment.

We have a need as technical colleges, and Counselor Peacock referred to that, to become more attractive to our students. If we raise costs, that doesn't help us to become more attractive to our students. So what I see increase Pells doing is actually reducing the amount of borrowing that our students are having to do.

In the past 6 years I have seen borrowing at Eastern Maine Technical College go from $300,000 to $1,200,000; that's quite a jump in borrowing. And I would see our students borrowing less because our students also are working. They come to college and they hold down either a part-time or in some cases a full-time job.

So I think that some of the forces within the State having to do with the economy will force us to keep ourselves very, very affordable for the students.

Senator COLLINS. Dr. Beardsley.

Mr. BEARDSLEY. I think it really boils down to competition. We've got—3,000 of the 4,000 colleges in the country have open admissions. Most of the colleges in Maine have access capacity. And we have to compete. I think the price elasticity has shown that—certainly at Husson—where we had our greatest surge in enrollment the year we had no tuition increase at all.

And so I think the competitive pressures are tremendously strong and the degree to which you simplify the system so that the money can walk with the student and it's simple so the student doesn't have to change gears every time they move from one college application to another. I think there's tremendous competitive pressures for us to keep prices down, and it is increasingly so.

Senator COLLINS. Mr. Moulton, do those same kinds of competitive pressures that we've heard described by the public universities and the technical college and a more affordable private college apply with an exclusive high-priced private college like Bowdoin?

Mr. MOULTON. Yes. There's no fundamental disagreement between our position, let's say, and that of the other panelists here.

At the same time, I don't think I want to raise false hopes. I've been a financial aid administrator at a college for 37 years; I have never seen the price go gown. And I don't think it's gone down anywhere else in the United States of America, or at least very, very few examples of it. And I don't think it's going to go down in the future. It can be controlled to a degree, but the delivery of goods and services is subject to exactly the same pressure in education as it is everywhere else.

We can't go out and hire a biochemist for $30,000 a year. And we can't redo our entire computer system and pay for it without some sort of price increases. The question is not whether the price will increase, the question is by how much and what are you paying for, and how are there ways of paying for it. In that sense, my college is subject to exactly the same kind of price sensitivity that all three people at this table have mentioned.

Senator COLLINS. Thank you. Dr. Hedlund, you mentioned in your testimony the regulations piled on top of regulations. Dr. Beardsley would eliminate all that in a clean sweep by his voucher program. What's your reaction to his proposal?

Ms. HEDLUND. Having spent some time in a financial aid office, actually 5 years as a—in the University of Maine financial aid office, I have seen the regulations increase to the point that when we look at our financial aid officers, they're kind of quasi Federal agents.

And I guess I would like to see some happy medium, not the total elimination of what we have in place, but some—some good-sense regulations.

Senator COLLINS. Dr. MacTaggart, one of the provisions that the President has proposed as part of his Hope Scholarship is that the ability to keep the tax deduction would be linked to the student having a B average.

Would that cause everybody at the University of Maine to all of a sudden be getting B averages or better?

Mr. MACTAGGART. Senator Collins, it in a sense reminds me of the days during the Vietnam War when remaining in school, for a time at least, gave you the option of not serving in the military. It certainly, I think, would add pressure on grade inflation.

Senator COLLINS. Dr. Beardsley, do you have an opinion on that? Would everybody at Husson get a B or better? Do they already?

Mr. BEARDSLEY. There are some pressures. My only comment would be, I'm not saying getting rid of diversity, I think that the diversity should be—occur at the State level rather than the Federal level.

I think FAME, MES, the State people can be responsive to some of the institutional needs. And my preference would be that we keep it as simple and straightforward and as is, tied to the IRS and other types of calculations at the Federal level.

But I think there would be pressures to inflate grades if it was tied to any particular type of thing. I think if it was tied to the military we would find that more people were identifying with the military.

Senator COLLINS. Mr. Moulton, do you think that it's a good idea to link financial aid to a specific grade average?

Mr. MOULTON. No, because a B is what at one college versus another; a B is what in one program versus another? The specter of students running around trying to arrange their programs and lobby faculty members in order to keep the deduction, or the Hope Scholarship, I think is something that I would prefer to avoid.

I'm getting fairly close to retirement and I can duck out and not have to face that particular issue, but I—I would be very unhappy to see that kind of thing take place on a campus. I think it destroys the whole nature of the educational enterprise and would not—would not want to see that.

Senator COLLINS. I agree with you. I plan to offer an amendment to strike it if we get to that stage in the committee.

Senator Jeffords.

The CHAIRMAN. Thank you very much. Mr. MacTaggart, yesterday in talking with my family I was concerned to hear about cuts, or at least a dramatic change in the number of professors, etc, at the University of Maine.

And I wondered why is that coming about? What is happening there?

Mr. MACTAGGART. Senator Jeffords, just a very brief history; there have been—until the current legislative session in Maine there have been no increases in the operating funds from the legislature since fiscal of 1990. At the same time tuition has gone up above 70 percent during that period. But even with the tuition increase, we didn't close the gap.

One of the ways to rationalize the educational program of what we could afford, we offered an early retirement incentive for faculty members. That's why a fair number have chosen to exercise that and have gone away.

There's clearly a downsize to it, you lose some stars and some first-rate faculty members that over the years have done stellar research and have been brilliant educators. There's also a plus in terms of creating opportunities for new minds to join the faculty.

The CHAIRMAN. I understand that, but your answer partly raised this question. And that is, that they haven't increased your funding since 1990. What we have found, or at least have had complaints from other State people administering their college is, that every time we increase Pell Grants and increase the loan levels, the states either freeze or reduce the amount of money going to their State institutions.

We have put the burden on the universities, calling them bad because they seem to increase their tuitions. But it seems to me that—without having asking you to condemn your own legislature—but it seems to me that you've shown on indication here of using that situation to—to justify freezing your funds. Is that so?

Mr. MACTAGGART. Senator Jeffords, I have only been in Maine just a tad over a year, so there are those with a much deeper sense of history here.

My sense so far, however, has been that what was operating was on the one hand lack of State resources. And on the other the—perhaps we haven't made the case of the importance to the State of the public university system as we are now.

I should say—not only that in defense for celebration of the legislature—they are—they, the governor, are providing the near infla-

tionary increases at this time. And we have agreed to keep tuition low as part of that. But I haven't sensed the trade-off with Federal policy so much as internal State dynamics in Maine.

The CHAIRMAN. Thank you. Sticking with Maine for a minute. I love this State, it's a great place. New England does so well in many respects relative to the rest of the country in our education, especially relative to our resources. But I note that Maine is 49th, I think, in being able to attract business to the State, at least that's one piece of evidence that was communicated. And knowing Maine people as I do, your work ethic here is very good.

Now, I want to compare it with what's happening in a State which I think is much different and yet somewhat similar, and that's Mississippi which has a very, very low income situation. But they have found by increasing their skill training and by especially changing their K through 12 programs in skill training, that they are now finding that their unemployment rate is going down even though they're losing a large number of jobs to Mexico, which are the low-paying jobs, because they're attracting businesses to Mississippi; and partly based upon the fact that there's a commitment by the State to improving skill training.

They are seeing a lot of the high tech industries moving to Mississippi. I point that out to you only to try and indicate how important concentrating on skill training is to our States, especially in vocational education and getting our young people interested in looking toward skill training rather than the conventional 4-year college. I wonder if you'd have any comment on that, Joyce?

Ms. HEDLUND. Well, I think that that's the right direction. I think—and I know it's the chicken or the egg discussion, where do you educate and then businesses will come or—or should you get the businesses and then educate. And I really think in the states that are having success, they're educating and helping their current work force, helping existing businesses to grow and then attracting other job opportunities.

I think that the career explorations for students can start at a younger age. I was talking to a teacher from Brewer who said that she felt that students in junior high could be seriously looking at career directions. And I think that that's one area that needs some emphasis. And we need to have an well-developed system for career exploration and career development.

So I believe that the technical college system has benefited by some of that thinking with regard to an educated work force and that we have a program called a Quality Center Program which educates people pre-hire for certain businesses. And that is working very well for us and is working well for the State.

The CHAIRMAN. What is going on in K through 12 to raise the math standards?

Ms. HEDLUND. The governor and the legislature is working on the approval of the Learning Results, which is a set of standards that were developed by people from business and industry and the education setting. So that's being put in place.

We still have some struggles with regard to vocational education, technical education and how it fits into the whole scheme of educating the Maine work force.

We're fairly new as a system, our oldest college is 50 years old and our youngest is 2 years old. And with John Fitzsimmons coming in as president of the system, he has heightened the awareness of technical education and technical training in the State.

And the system that we have in place for the secondary level involves regional vocational high schools where the school districts send their students to vocational high schools. It's dependent on local funding, the success of those high schools is dependent on local funding. And as you may or not be aware, that creates a lot of difficulty for some of the school systems who are struggling just to keep themselves whole.

So the State needs to take a more serious look at technical and vocational education.

The CHAIRMAN. I know Governor McKernan has been a leader in raising that visibility, he had an excellent book on the whole question. So I was curious to follow-up on that.

Let me point again to Mississippi, then to Europe, and even Asia. In Mississippi, it all came about when the teachers decided that they would take things into their own hands. They went out and campaigned statewide for a 3 percent sales tax to help their vocational education programs and created a whole new system.

They were successful in getting the support of the legislature, but the governor vetoed it. The teachers lobbied again and got the veto overridden, which put into place a whole new voc ed. system starting at the sixth grade. The students are now looking at careers and getting help trying to decide where they're going to go. The students are now aiming toward educational institutions which will get them the good jobs they want.

That seems to be working pretty well. But it's kind of ironic because, you know, we always used to point to Mississippi and say, "well, thank God we're better than Mississippi, anyway".

But I just wanted to point that out. I went down there primarily because the majority leader is from Mississippi, but also because I had never been there before in my life. But I went down there expecting to come back appropriately discouraged. Instead, I came back amazed at what they had done. And it only occurred, because of a revolution in the educational industry itself. The teachers took hold and that made all the difference, just to point that out to you.

Mr. Beardsley, what fixed amount? You say there should be a fixed amount. Granted, I mean, we have all this apparatus that we set out for you to calculate all these things and you come up with a figure. What would you base the fixed amount on?

Mr. BEARDSLEY. I don't know the exact amount, but it would—to me it would be based on the family income, the poverty level; a formula that would be based on that determination of need.

And I think what would happen as a result of it is if the states and other communities would adjust accordingly. In other words, it wouldn't be done in isolation. I think you would find a very—recalbration of all the ways the State helps and whatever.

But I think the idea—the Pell Grant, if it had been fully funded proportionally to the way it was started, it would be around $5,000. There is what I call losses in the system. I think it's—lets hypothetically say you reduced the cost of the average financial aid officer in half—and I don't know if that's a correct figure—but you

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would save about a billion dollars, if you took all the 4,000 colleges across the country.

I mean, I haven't made all those calculations, but I think there's loss in the system that would help you move ahead. I'm not saying that we would get rid of other things, but I think you would push some of the sensitivity type of things for loans back toward the State in that direction.

The CHAIRMAN. Just back to Joyce's point of simplicity, and we're very cognizant of the need to make things more simple. And in this reauthorization I intend to do that, find out how we can simplify things. So I appreciated that—you're kind of going to the ultimate extreme on that, but it certainly would make everybody's lives a lot easier. Whether it would distribute the resources, I don't know.

Walter, you've only had one more reauthorization then I've have. Ted Kennedy is tied with you in six of them so he's my patriot on the other side of the aisle.

But you've raised some very interesting questions, and you know these programs better than any of us I know. With respect to the Perkins Fund—of course, that right now is as you said a revolving fund.

Mr. MOULTON. Correct.

The CHAIRMAN. I have been wondering whether we should change it by maybe enlarging the revolving fund. Because I think it's worked very well, but it is sort of way underfunded. But I notice you were kind of indicating to do away with it. And I don't know quite what you meant by that.

Mr. MOULTON. Not so much do away with it, Senator, but transform it, give title to the existing resources to the colleges that have it. With the insistence that they leave their portion of the money in it, and then continue to use it for either grants or loans as local circumstances would dictate.

At my institution I might find it more attractive to continue using it as an institutional loan. At some other institution it might be better used as a grant, or it might be better used as supplemental——

The CHAIRMAN. Hm-hmm.

Mr. MOULTON. Both the conditions would kind of require that. And how one used the money would be a function of what you had and the fact that you had some of your own money in there and had to continue doing it that way. Right now a student can borrow under the direct loan program or the Stafford loan program at this particular point in time.

And circulating the money takes a very, very long period of time. In my institution there's approximately 14 to 18 years between the time the student actually gets the loan until you get all the money back and could put most of it back into circulation. If I had title to that money now and could continue to use it, I could use it in supplementary ways to Stafford, my choice would be to be a Stafford lender. I could circulate it much faster.

We're a big college, we're a crummy bank. We don't do a very good job of loan collections and I would dearly love to get out of that business. I would continue to use the Perkins loan and would continue to be a revolving loan fund, but it would be in tandem or related to the Stafford loan program. So it doesn't fall by the way-

side, it simply matures and takes—it evolves, it turns into a different kind of a resource. One that I think is—can be better used than to have two different loan programs for the same people trying to do the same thing but with parallel administrative problems attached to them.

The CHAIRMAN. Well, thank you. We'll be back in touch with you because I want to use your expertise in this. Because we have to take a whole new look at everything this year. All of a sudden all this money is on the tax expenditures side, how do we utilize it?

Now, people say, well, why don't you just increase the Pell Grants. Its because you have to go where the money is, like the famous bank robber said, but anyway. So the money is on the tax expenditure side. So how do we utilize those tax expenditures to meet the needs that we have here? The thought of getting much more money from the appropriations side, because we keep cutting the domestic or the nondefense appropriations down, down, down, while we're pulling more out, is going to be harder to do.

I was interested in your comments on the PLUS loans. Since I am the guy that in 1992 made the thing work so that all of a sudden instead of nobody using it, everybody is using it, which has created a problem in the sense of the size of it. But, I'm pleased with what happened.

I was very interested in what you said, about parents, being a parent myself. What I hadn't thought about is that you have 5 kids, and 5 different loans—why can't you consolidate them. Well, we always think in terms of the student, the PLUS loans are parents' loans. We didn't really think differently about them as to how it affects a family and the complications of having 5 or 6 kids. You've got 5 or 6 loans and you have to make out 5 or 6 checks. I'll take a look and maybe we can consolidate those.

Mr. MOULTON. The back end of that is the service that has to keep track of all those balances as well. That's a very timely and a very costly procedure. If you're dealing with one borrower, what difference does it make whether the loan taken was for Andrea, Charles, John; it's really the borrower who counts.

The CHAIRMAN. Right.

Mr. MOULTON. And putting them together so that there is a much easier way of tracking the loan. And also I am thinking of extension. If people do borrow for several children, is it appropriate at some point to say, well, gee, variable payment periods of 10 years per child may not be sufficient. Maybe there comes a time in which you sit down and say, gee, if we have to take five or six of these loans and pull them together, shouldn't there be a new 10- or 12-or 15-year period in which to pay the loan back?

You want to encourage people who are serious and willing to pay their loans. And you want to try and relate that borrowing, obviously, to their ability to repay. But this just makes good common sense.

Mr. MOULTON. Well, I appreciate that, and also the use of requirement funds. We're looking at that now. And I appreciate your comments on that and I'd like to get back in contact with your thoughts on that.

Mr. MOULTON. I would be delighted.

The CHAIRMAN. I want to thank this panel, it's been exciting. I'm going to charge back down there with some ideas and impress everybody, and I won't tell them where I got them either.

Senator COLLINS. Don't worry I will. Thank you very much. I really appreciate you all taking the time to be here today.

Our final panel today represents the perspective of the providers of student aid.

Charles Mercer is the director of external affairs for the Finance Authority of Maine. Richard Pierce is the president of Maine Educational Services. Many of you may have noticed the purple van out front which is part of their outreach effort. He is also president of the Education Finance Council. And Ron Milliken is the director of financial aid at the University of Maine at Farmington. Thank you very much. And we'll start with Mr. Mercer.

STATEMENTS OF CHARLES MERCER, DIRECTOR OF EXTERNAL AFFAIRS FOR THE FINANCE AUTHORITY OF MAINE; RICHARD PIERCE, PRESIDENT, MAINE EDUCATIONAL SERVICES, AND PRESIDENT, EDUCATION FINANCE COUNCIL; AND RON MILLIKEN, DIRECTOR, FINANCIAL AID, UNIVERSITY OF MAINE, FARMINGTON, ME

Mr. MERCER. Senator Collins, thank you. Thank you for this opportunity. I don't know if it's a good thing or a bad thing to tell Senator Jeffords that I actually grew up a little north of Senator Collins. And she didn't even know that at the time, and little did we know that we'd all be here today, but we're very proud of Senator Collins and we're sure that she's going to represent the people of Maine very well in the U.S. Senate. So I haven't had a chance to see you to congratulate you, so congratulations Senator Collins.

Senator COLLINS. Thank you very much.

Mr. MERCER. The Finance Authority of Maine is the State's business and higher education finance agency. We were the people who released this report called Futures at Risk earlier this year. And we did that because we were concerned that not enough young people in Maine were making a decision to pursue higher education, and we wanted to know the reason why.

What we found out is that Maine kids in very large numbers, very dramatic numbers, want to go on to higher education, but they're scared, literally to death, about the cost about education, and their parents are scared about it as well. And what they said to us, what they told us in our study both through focus groups and through a telephone survey is that you need to help us with these costs.

We look at paying for education as a partnership, a partnership that starts with the family, that moves to the college that the student wants to go to, the State of Maine and the Federal Government. And clearly the Federal Government plays an incredibly important role in whether or not a family has the ability to help their children go on to higher education.

Over the course of the last 10 or 15 years the Federal Government has been conflicted about the role that it wants to play in helping students and families afford to go on to higher education. And they bat back and forth these issues about what's best, what we should do, what we shouldn't do, etc. You heard lots of talk this

morning about the Pell Grant and the importance that that program plays.

I want to talk a moment about the importance of the Federal Family Education Loan Program and the role that guarantee agencies play, because I'm concerned about the role that the Federal Government is heading in this direction. I would make the case to you—and maybe this battle has already been fought in Washington, but let me take a chance to step back.

With what they're doing with the Federal Family Education Loan Program is wrong. You just heard Walter Moulton, one of the premiere financial aid officers in the State of Maine say that we can do financial aid, but we're not a bank. And we're turning financial officers in this country into banks and we're telling them that you're not only going to help students get into school, you're going to take care of loans for 10 or 15 or 20 years. And we think that that is inappropriate.

This country has a very strong banking line, very strong banks, credit unions and financial people who can help students and families borrow money, and then we can collect the payments in return. But when you start telling students that the first place you need to turn is the government to borrow your money, when will they begin establishing a relationship with their credit union or their bank at some point in their life when they may need it for a home loan or a small business loan?

We think that banks need to remain in the system in part because the Federal Government changes from year to year; every 2 years someone else may come into office and they may have a different set of goals and objectives. And removing banks, removing the private banking industry from this process is wrong.

Moreover, I would also tell you, Senator Collins and Senator Jeffords, that what the Department of Education is doing to financial aid officers and guarantee agencies like FAME is—it also borders on harassment. They want to make the Federal direct student loan such a success that they will do that at any cost to anybody else involved in the process.

Let me give you one example, an important example. They right now are looking at going back retroactively and saying that any money you, the guarantee agency, collects on student loans you have to keep—you can keep 18-and-a-half percent of that, and return the rest to us. It used to be that the—the State guaranty agency got 27 percent for it's collections cost, but now that would be reduced to 18 percent.

The Federal Government, however, when they get the loans and they send out to a collection agency, they pay that collection agency 30 percent to collect those loans. So you can see the inherent unfairness right there. Moreover, the President and the administration are looking at recalling the reserve funds that guarantee agencies like the State of Maine have to service their student loans and to help students access college education.

In Maine we have a $14 million reserve fund to back $600 million in student loans. And now the Federal Department of Education is threatening to go take that money back. It's really important when you look at college, that you have an agency like the Finance Authority of Maine that's willing to go to Narraguagus High

School or go to Caribou High School or go to East Machias and sit down with parents and talk with them.

Under the direction that the Federal government is going right now, they would have you call a number and speak to someone in Houston or Florida or Texas or Chicago about going to school in Maine. And anyone who's been through the financial aid process, knows it takes some hand-holding, it takes some time, and it takes people who are willing to sit there with you and fill out those applications.

So as you do what you need to do to reauthorize the Higher Education Act, I would urge you as strongly as I know how to get guarantee agencies like the Finance Authority of Maine to sit down with you with the department and say, listen, give us a break, what you're doing here really—I don't believe is what Congress intended, and it's not fair and it's not appropriate. Thank you.

[The prepared statement of Mr. Mercer follows:]

PREPARED STATEMENT OF CHARLES A. MERCER

Chairman Jeffords, Senator Collins, distinguished members of the committee, good morning. Welcome to the Great State of Maine—and the campus of Husson College. We are delighted to have you here.

I especially want to thank Senator Collins for her efforts and willingness to help bring the Senate Labor and Human Resources Committee to Maine to discuss this important issue. We are very proud of Senator Collins and we are confident that she is going to be a strong voice for the State of Maine in the United States Senate.

Earlier this year, the Finance Authority of Maine (FAME) released an extensive study and survey that throws cold water on the long held belief that Maine students have low aspirations. In fact, according a survey conducted by Market Decisions of South Portland, students in Maine have extremely high aspirations, with more than 91 percent of the students surveyed indicating that education beyond high school is going to be an important part of their future.

This important study entitled 'Futures at Risk' indicates that better than 91 percent of the students currently enrolled in Maine's public schools expect higher education to be an important part of their future.

Ninety-One percent!

That's an incredibly high number.

And it is a number in which we can all take some comfort and satisfaction.

The fact is, parents, guidance counselors, teachers, business leaders and political leaders have successfully delivered the message to our children regarding the critical importance of higher education to a bright future.

Best of all, our children have heard, and understand, and believe this important message.

When students were asked why higher education is important, 77 percent say that education beyond high school is essential to their ability to get a good job and to have a better life.

These results are somewhat surprising in that there has been a perception for years in this State that Maine students suffer from "low aspirations", particularly when it comes to continuing their education.

That is what we have always been told—and quite frankly, that is what we have always believed to be true.

However, Futures at Risk finds just the opposite to be the case.

Maine students have very high aspirations for themselves, particularly when they are in high school.

For most students in Maine it is not a matter of aspiring to do more and to be better.

Rather, the problem, most Maine students and families face comes later on down the road, in trying to make those aspirations a reality.

But, along with the good news about the aspirations of Maine students comes some equally disturbing news.

Parents and students are worried sick about the price tag of higher education.

So afraid in fact, that talking about college has become an issue that students are afraid to bring up and parents are scared to talk about.

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Across Maine today, parents ARE NOT talking to their kids about higher education because they simply don't know how they are going to pay for it.

Students are not bringing the issue up because they see their mom and dad struggling to make ends meet—and they don't want to compound an already difficult situation.

Parents, and students want, perceive the need, and even expect to obtain education after high school, yet they aren't prepared to pay the bill . . .

When it comes to actually pursuing their aspirations, contrast the 91 percent of students who saw higher education as an important part of their future with the barely 1 out of every 2 high school students in Maine will actually continue their education after high school.

We have students with great hopes and aspirations who, at about the age of 16, 17, and 18 run face first into the reality of college costs and the results for too many are potentially disastrous for them and for Maine.

Affordability, more than anything else is the reason why Maine places so low in national rankings that look at the percentage of students who actually continue their education beyond high school.

Affordability is one of the primary reasons why Maine ranks near the bottom nationally in terms of college degrees among its entire adult population. Students and families simply cannot afford the bills that come with higher education.

That is not because they don't view higher education as being important. They do. But they don't know how they are ever going to pay the bills.

If these trends are allowed to continue, Maine's economy has reservations booked and confirmed on a train headed for disaster.

If we don't turn these numbers around, and soon,

Maine families will continue to struggle in low wage jobs . . .

Budgets for corrections and human services and social services will need to be continually and significantly increased to meet growing need . . .

Maine's kids will pay an exceedingly high price in terms of lost dreams and missed opportunities.

And Maine's economy will never be more than it is right now.

Maine will continue to lose its best and its brightest to states that offer more hope and more opportunity.

It's a future that no one in this room wants to envision.

But, if we fail to act . . .

If we fail to take decisive action . . .

If we don't improve accessibility and affordability of higher education . . .

It's a future we could all be living.

A well educated work force is critical to a vibrant economy, both in Maine and across the Nation.

A well educated work force is critical to our ability to attract quality jobs . . .

A well educated work force is essential to generating the revenues that allow governments to meet the basic needs of people at risk . . .

When you boil it all down to the bottom line, Maine's future is tied directly and permanently to the abilities and aspirations of the people who live, work and make their homes here in Maine.

If we want our children to have a chance at a better life . . .

If we want our economy to grow and expand . . .

If we want our government to be able to meet the basic needs of its people without forever raising taxes . . .

There is a prescription that works.

It's time tested . . .

It's guaranteed . . .

And if it were a new drug they would call it a miracle . . .

It's education. It's higher education.

But paying for college is reaching the point where it is all but out of reach for too many Maine students and families.

And that trend must be corrected. Soon.

The State of Maine has been working overtime to help students and families in our State to realize the possibilities and opportunities that come with higher education.

But, and I hope I can be candid with you, we are not clear as to where the Federal Government is on this important issue. On issue after issue, it appears to us as the organization that works with Maine students and families every single day, that the Federal Government, in particular the U.S. Department of Education, wants to remove state organizations, like the Finance Authority of Maine, from the process of helping students and families.

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During the past three years, the Finance Authority of Maine (FAME) has been responsible for over 65,000 Federal Stafford Loans for Maine families and Maine institutions of higher education. The $225 million in loans provided students with financial resources that otherwise might not have been available for their pursuit of higher education. This past year alone, we met the needs of students and families with $120 million in Federal Family Education Loans (FFELP) and another $20 million in state administered programs.

We have criss-crossed Maine talking to thousands and thousands of students and families.

Despite these efforts, the role that State organizations like FAME plays is in serious jeopardy.

In fact, the President's budget may well result in the duties performed by the Finance Authority of Maine being performed by Federal Government contractors located in Chicago or Houston or Los Angeles or New York. I wonder if these federal contractors will be available at student parent financial aid nights in East Machias, Woodland, Bethel and Caribou on cold winter nights in November, December, and January.

The budget submitted by the President means that if you need help applying for financial aid, you can pick up the phone and call someone in Florida to talk about going to college in Maine. Seems pretty foolish, but that's where we appear to be headed.

At a time when the Federal Government is devolving many important programs back to the States, just the opposite is happening with the Nation's student aid programs.

Banks and credit unions and other financial institutions are being forced to compete on a playing field with the Federal Government that is simply not level. Moreover, the tactics the Federal Government is using against traditional lenders borders on the unfair. The fact is, we need banks and credit unions for so many aspects of our lives, but, and this is very difficult to understand, the Federal Government believes it can "lend" money more efficiently and more effectively than private lenders.

States are literally being threatened and harassed by the U.S. Department of Education, all seemingly in an effort to make the Federal Direct Student Loan Program a success. The Department has made clear that it does not value the role of the local guarantee agency and the hands-on, person-to-person services we provide. It has said that our future is in the Department's hands and that they could eliminate us from the program at any time.

And colleges and universities are being encouraged and enticed to become lenders, replacing the role of the financial community in helping students and families pay for college.

The budget proposed by the President would force many guarantee agencies and community lenders out of the Federal Family Education Loan Program. The proposed budget reduces administrative support for guarantee agencies, recalls our reserve funds and increases the risks to lenders. A recent study by the Congressional Research Service entitled Reducing Federal Student Loan Costs: The Options are Narrowing, concludes that "excess" profits to lenders and guarantee agencies have already been squeezed out of the system and that such cuts could result in the collapse of the current student loan system. The "savings" purported to be realized would be more than offset by higher default, loan servicing and administrative costs that would be borne by taxpayers.

Of even greater concern, the proposed budget would reduce the availability of local help and guidance available to students and families. The President proposes to recall reserve funds which have been set aside to back up portfolios of loans that will be on the books for at least ten years. The proposal would also eliminate the guarantee fee paid to the guarantee agency, which is our major source of income to fund our reserves and pay for the administration of the program and assistance to students.

Other proposals would cut virtually all sources of revenue that FAME and other guarantee agencies need to operate. With the proposed changes, it is only a matter of time before FAME would be unable to meet the information and counseling needs of Maine students. Just when students and families need help the most—help that is fair and unbiased and non partisan—the federal government is saying it can do that job better from some place hundreds of miles away.

The unfortunate result would be that students and parents will be left with less help and guidance for a financial aid process that is difficult, time consuming and intimidating. That will translate into fewer students being able to go on to higher education, and that is a result we cannot allow to happen.

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Let me give you just one more example where we believe the Department is unfairly penalizing guarantee agencies. When a student defaults on a loan, the guarantee agency will try to work with the student to collect payments, and may offer to consolidate outstanding student loans over a longer repayment period to help the student get back on track and restore their good credit. In late 1995, the Department of Education issued a "Dear Colleague" letter cutting the amount that guarantee agencies are entitled to retain on defaulted loans that are consolidated into new loans. Not only was their decision not supported by the Higher Education Act, they even made its application retroactive to January 1, 1993, almost three years before the "Dear Colleague" letter was issued. The retroactivity alone will cost the Finance Authority of Maine nearly $600,000!

This is just one of numerous examples of actions and proposals by the U.S. Department of Education that undermine the existing system of student loans. Certainly, the Department's aggressive efforts to implement Direct Lending have resulted in tangible improvements to the existing programs. For example, the Finance Authority of Maine recently worked out an arrangement with the University of Maine at Orono to speed up the process of delivering loans to students substantially, by centralizing loan disbursement from all of the State's major lenders through one disbursement source. This will benefit the students through easier and faster access to loans, and it will help the University by simplifying their administrative burdens and giving them more time to help students solve the puzzle of paying for a college education. It offers many of the benefits of Direct Lending without disrupting the existing financial aid delivery system. We hope to rapidly expand this new program to every campus in Maine. We do not object to allowing the Direct Loan Program and the Federal Family Education Loan Program compete with each other, as long as they are allowed to compete on a level playing field.

However, FAME's ability to develop creative ways to deliver student loans, and our capacity to help students and parents across Maine achieve their higher education aspirations, are being threatened as never before. Let me be clear here, FAME's future is not the issue: it is our ability to deliver services to students and families, to help them gain access to higher education that is really at stake.

Our concern is that the focus on the student is sadly lacking in too much of what is currently being discussed in the Department of Education and proposed in the President's budget. We strongly support the recommendation of Chairman Jeffords, Representative Goodling and Representative McKeon in a December letter to Secretary Riley that discussion of the budget for the Federal Family Education Loan Program be deferred until Congress can take a broad look at reauthorization of the Higher Education Act. Otherwise, we may be exacerbating the problems revealed in our study, Futures at Risk, and undermining our children's futures. That is a result that we simply cannot let happen.

I appreciate this opportunity to testify before you today. Thank you for your time and consideration.

Senator COLLINS. Thank you very much, Mr. Mercer.

Mr. Pierce.

Mr. PIERCE. Thank you Chairman Jeffords, Senator Collins. My name is Dick Pierce. I'm the president of Maine Education Services, which is the largest provider of Stafford, PLUS, and private loans in the State of Maine; also, the statewide outreach services which Senator Collins mentioned our van is outside today, so I thought you might have a chance to take a peek in it at least.

But I thought maybe my most objectivity could come from just appearing before you as somebody who's spent his whole life in education, as a teacher, as a college dean, as an administrator, and I think has some genuine concerns of what I'm seeing.

First of all, I think that the President ought to be congratulated for doing what a president does best, and that's put a focus on a very important subject, education. And, likewise, I think that the members of the majority party by introducing S. 1 ought to be congratulated and thanked for showing that your number one priority is education. And one would hope, with the President and with the majority party saying that, that a lot of good would come from it.

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I think maybe that remains to be seen, but it certainly got a lot of hope.

I would like to voice some of the concerns that I have with the—what I see as the philosophies and the programs that are emanating from Washington. I think President Clinton seems to be emulating with education what he's tried to do with health care. And at the very time that we hear from him that the era of big government is over, we see just the opposite happening at the US Department of Education; hundreds of new employees, an administrative budget that's tripled over the last 4 years, and yet the number of student aid awards remains relatively unchanged. So that money is clearly going into a growing bureaucracy.

I think the President's one-size-fits-all approach is not—is no better in education than really in any other Federal application. As far as I am concerned, there are already too many programs, and yet Washington continues to offer up increasing numbers of them. And Maine citizens—and I think really people in most states are overwhelmed with the complexity and the myriad of programs that we already have. And yet there seem to be more, and more, and more.

And probably with professionals in the field aren't too far behind the average citizen in getting buried under their—just sheer numbers, the red tape, and the intrusion.

I'm also concerned when I see the numbers rising for those students going on to college from higher-income families; you see the numbers rising for middle-income families, but you don't see them rising, in fact, you see them dropping for lower-income families. And probably in my simplistic mind, I see an obvious answer to that. I think it's a program that we already have, and it is called Pell Grants.

And I think the president would be much better off to focus new resources on this program which is successful, relatively simple, and known to people. And in addition, I don't believe that he should be deleting State money—money from the State grant programs as he has done in the past and his present budgets.

And I won't take time to dwell on the Hope Scholarship Program, but I guess I can't resist saying that I can see a student here at Husson working one or two jobs and maybe at a hundred percent of capability getting a C and losing their scholarship money while somebody who isn't working gets a B operating at 50 percent of capacity breezing through and they do get it. I just don't think that passes the straight-face test frankly.

Many States have taken it upon themselves to create their own programs. Vermont and Maine, I think, are two primary examples of this. And while our models of—for instance, our outreach programs are relatively different, they are both extensive and I think go a long way to help answer some of the—we've got our, at least now, the aspirations coming up. We need to make that bridge so to get the people with the aspirations into school, and I think that these vital outreach programs—Vermont has created, I think, something like 36 different counselors available, and our program, which has the mobile van and the hot line and so forth, the anecdotal evidence is—just goes on and on.

And I do note that if President Clinton's budget recommendations were adopted, Maine students next year would pay millions

of dollars more for their student and parent loans, they'll probably see an elimination of financial aid nights that a lot of us do. They probably will see the operation of our outreach counseling program cease; and, generally, Maine would take a giant step backwards. And I think that's something we certainly can ill afford.

I do want to at least touch on the cost of higher education. I think it's a perception out there that we fight every single day trying to convince people that there is a way and that there is a financing mechanism, it can get people into school. And I think it's vital that we have our highly-trained professional people out there doing the outreach program and telling students that, yes, you can indeed go on, there is a way to do it. And I think that colleges, too, have to play a leadership role in finding for their students where the best programs are, where they can get the money the cheapest. And I think those handful of colleges, frankly, that prohibit students from making cheaper loans have to rethink their commitment to the State of Maine.

And, finally, let me just sum up that I would hope you would keep in touch as we work together in this higher education reauthorization. But sometimes I think programs in the states are as wise and as creative as those that are created in Washington. We do need fewer programs I believe, not more. I hope you don't fall into the one-size-fits-all trap because what's good for Maine isn't necessarily good for California or vice versa.

The overall cost of higher education does need focus and discussion, and maybe something like the McKeon commission is appropriate. And I hope you will enact some of those noncontroversial ideas that we gave to you as an industry that everybody seems to want to do, and I hope that's something that you will obviously do.

And I hope you will put more Federal money into education and not to bureaucracy. And, finally, I hope that you will try your hardest to put good policy ahead of good politics, and that isn't always easy I'm sure. Thank you for the opportunity to be here.

[The prepared statement of Mr. Pierce follows:]

PREPARED STATEMENT OF RICHARD H. PIERCE

Chairman Jeffords, Senator Collins, my name is Dick Pierce. I appear before you today not as the chairman of a national education finance organization and not as president of Maine Education Services. Instead, I prefer to appear as one whose adult life has been spent mostly in the field of education—as a teacher, college dean, and administrator. My interests in this area are deep and long standing.

In the limited time that is available, let me get directly to the few points I would like to make here today.

First, I would like to congratulate and thank President Clinton for doing what a President can do best—place the national focus on a particular issue—in this case education. His credentials and long time interest in this area are well known. Second, I would like to thank and congratulate the Majority Party in the Senate for making its number one priority clear with the introduction of S. 1 earlier this year. One should be hopeful that with our national leaders focusing on education that real progress could be made.

Having said that, I would now like to voice some of the concerns I have with philosophies and programs emanating from Washington.

President Clinton seems to be emulating with education what he tried to do with health care. At the very time we hear from him that "the era of big government is over" we see just the opposite taking place at the U.S. Department of Education. Hundreds of new employees, an administrative budget that has tripled over the last four years, and yet the number of student aid awards remains relatively unchanged.

The President's "one size fits all" approach is no better in education than in any other federal application.

There are already too many programs and yet Washington continues to offer up ever increasing numbers. Maine citizens, and I believe those in most states, are overwhelmed with the complexity and myriad of programs offered presently. And probably we professionals in the field aren't too far behind them in getting buried under their sheer numbers, red tape, and intrusion.

Frankly, I'm concerned that while students from upper income families are going to college in greater numbers and so are students from middle income families, the number from lower income families is dropping. I don't think that's good for Maine nor the country as a whole. And I believe we have a program already in place that works very well to address this. It is called Pell Grants. I believe the President should focus new resources to this successful program instead of creating such new ones as his questionable Hope scholarships. In addition, do not believe he should delete money from state grant programs as he has in his past and present budgets.

I won't take the time to dwell on the Hope Scholarship Program, but it boggles my mind to think of a Maine student struggling to go to college by working one or two jobs and operating at 100 percent of capability, getting a C average and losing his scholarship money while another student doesn't have to work and operates at 50 percent of capability gets a B average and keeps his scholarship money!

Many states have taken it upon themselves to create their own programs to serve students and families. Vermont and Maine are two of these. While different models, each expends a great deal of effort on state-wide, free outreach programs to assist young people as well as adults in going on to college and making career choices.

Unfortunately, there is more than a little irony in the fact that despite his good intentions, if President Clinton's budget recommendations are adopted, Maine students and families will spend millions of dollars more for student and parent loans, will probably see financial aid nights at high schools end, see the operation of outreach counseling programs cease, and generally take a giant step backward in the field of higher education.

And when you're 49th out of 50 in obtaining college degrees and are one of the highest in per capita percentage of income spent on higher education, this is a step Maine can ill afford.

I also want to touch on the cost of higher education. The perception that college is beyond the grasp of many people because of the ever increasing cost is something we struggle against every day. This, coupled with the fact that New England is the most expensive area of the country in which to attend college, creates a real challenge for us all. It is also one of the reasons that free outreach programs, such as the one we provide, continue to be available at high schools, colleges, malls, displaced homemaker programs, and many other statewide locations. It is vital that we have our highly trained professionals help people understand they can go on to higher education and that financing is available. Perhaps a commission such as the one proposed by Congressman Buck McKeon is a logical step in getting all of us to focus on stopping the upward spiraling costs of higher education.

Colleges, too, have a leadership role to play by informing students and parents that where they get their loans makes a big financial difference. The forty banks and credit unions who have teamed with us in lowering Stafford and PLUS loan interest rates by one full percentage point, are saving Maine families millions of dollars each year. However, the small number of schools who actually prohibit their students from obtaining a cheaper Stafford or PLUS loan need to rethink their obligations to the students and families they serve. In addition, we all need to work together in a more productive manner to improve our delivery system.

Summing up, let me say what I hope you will keep in mind:

- Sometimes states are wiser than Washington D.C. in their thinking and creativity
- We need fewer programs, not more
- Don't fall into the "one size fits all" trap
- Don't forget the neediest of students
- The overall cost of higher education needs focus and discussion
- Enact at least the noncontroversial amendments that have been suggested to you by our national providers group
- Put federal money into education, not into Washington bureaucracy
- Try your hardest to put good policy ahead of good politics really appreciate your taking the time to hear me and the many other Maine people who are here today. I am sure we all stand ready to assist as you continue the difficult but vital task of reauthorizing the Higher Education Act.

Senator COLLINS. Thank you very much.

Mr. Milliken.

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Mr. MILLIKEN. Chairman Jeffords, Senator Collins, good morning. My name is Ron Milliken. I'm the director of student aid at the University of Maine at Farmington. I'm a practicing financial aid officer at UMF, a four-year public institution with the equivalent of 2,000 full-time students, mostly from Maine. Over 1,700 of our students benefited directly from student aid last year.

During the last reauthorization, there was a well-intended effort to bring relief especially to the middle class. Expanded loan eligibility precipitated huge increases in Stafford loan borrowing at my campus. Before the 1992 reauthorization, about 800 UMF students borrowed an average of $2,100 totaling 1.7 million. Now about 1,600 students are borrowing an average of 3,600 totaling 5.6 million. Our average student loan amount has jumped 73 percent, the number of borrowers has grown 87 percent, and the total loan dollar volume has skyrocketed by 229 percent.

Although loans grew dramatically under reauthorization, Pell Grants, which serve the neediest student, were kept essentially the same. The award levels for the neediest Pell recipients were reduced to enable less-needy students to receive some Pell funding.

On a positive note, this helped more students qualify for Pell; but on the downside, it ultimately served to widen the gap between the neediest and those who were less needy.

During the last 5 years the average Pell Grant on my campus dropped from about 1,600 to 1,500. The number of recipients rose by about less than a hundred. In contrast, there were over 700 additional Stafford loan borrowers that came into the Stafford program. Again, the average Stafford loan rose from about 2,000 to 3,600.

A Pell Grant has not covered the full cost of UMF tuition and fees since 6 years ago when the maximum funded Pell Grant was $2,400. When adding together all student loans, our current borrowers who are about to graduate have combined loan debts averaging just under $15,000 per student and ranging up to 42,500.

To some, the amount of debt carried by our students is dismissed as insignificant when compared with the price of a new car or other commodities. However, please consider this: Many graduating borrowers will be starting teachers in Maine this fall, starting salaries at about $21,000 on average. After deducting State and Federal income taxes and FICA, take-home pay is estimated at $1,375 per month. Excluding other loans, the current average accumulated Stafford loan debt is $13,170 for one of these students about to graduate.

The average payment is estimated at $162 per months for 10 years. Imagine the realities here in Maine for a typical graduate right out of college. This graduate is likely to pay monthly rent for about 500; perhaps, phone, heat, utilities—not bad by Beltway standards I would say—$300 for food, 400 for a car payment, insurance, gas and maintenance, and the required loan payment of $162 per month. This leaves $13; $13 remaining for clothing, professional dues, entertainment, personal and miscellaneous expenses. Our graduates are doing well to keep the cohort student loan default rate at UMF at 5.6 percent.

As evidence by the massive amount of borrowing, many students are in need of lots of money to finance college. A generational shift

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continues to occur in which more students are showed even more of the burden, and parents are no longer seeming to be able to.

Students have, indeed, been mortgaging a good part of their futures. In Maine many graduates will have very little, if any, discretionary income after the essentials. Those who are successful will be able to repay their loans and apply their talents in satisfying and constructive ways.

Yet, some will not enjoy any short-term success entering the job market in Maine where opportunities are not as abundant as in other places where per capita income is also stronger. Thus, the apparent economics benefits of higher education will grow more elusive unless there is relief through cost containment, precollege savings incentives, increased direct financial aid, or other creative strategies.

In my work I sense frequent anxiety among my students. The quality of their education is diluted by excessive work commitments, by worry. This underlying worry is really often deepened rather than alleviated by the preponderance of student loans which are by many people not perceived as student aid.

Here in Maine borrowing provokes dread among some. Risk taking is not a trademark of Maine students, and borrowing is a form of risk. Yankee frugality and financial responsibility are cultural characteristics for many of our students. Translation: If you don't have it, you can't spend it, don't borrow it.

As in other parts of the country, some students and parents may be increasingly reluctant to risk the investment in higher ed without more certainty about its outcomes. The escalating student indebtedness and the overall imbalance between loans and grants spells trouble, particularly here in Maine. There's a striking concentration of extremely needy students here as it is exhibited in the number of students who are receiving Pell Grants, and there are over 900 of them on my campus.

Given the cultural aversions to borrowing and the tremendous sacrifices that repayment entails, the calculus of educational aspirations is a complicated matter not easily figured out.

Not only do we need to correct this imbalance between grants and loans, we need to keep in mind that a well-coordinated strategy is needed to be—that is sensitive to the human dimensions in the college financing equation. Students, and particularly the mainstream low-income students that predominate in Maine need human encouragement and support as part of the comprehensive financial support network to ensure equal access.

The TRIO programs here in Maine are an excellent example of the type that support these students and really make the difference. Outreach efforts like those of the Finance Authority of Maine and Maine Education Services are other illustrations.

We need to ensure that the delivery system is flexible and responsive to the neediest students if we are to prevent a further widening of the gap. It is also important to keep in mind by 1990s tendency to be infatuated with technology as a solution. We need to be discriminating about what is really needed. Technology is very often exciting and promising, but not always accessible, appropriate, or realistic for all of our students.

Although the pressure to find efficiency is painfully real in government and in education, we must again be selective. We need to resist pressures to adopt solutions that fix things in the short-run, but create a bigger problem for posterity.

From my perspective, one of the most crucial elements in the Reauthorization is finding a way to ensure that there is more of a balance between grants and loans, and ensuring that the beneficiaries of our policies are, in fact, those that need aid the most.

Thank you, Senator and thank you, Chairman.

[The prepared statement of Mr. Milliken follows:]

PREPARED STATEMENT OF RONALD P. MILLIKEN

A Pell Grant has not covered the full cost of UMF tuition and fees since six years ago when the maximum funded Pell Grant was $2,400. [With declining state support, UMF tuition and fees climbed $700 in the last five years to $3,370. Room and board costs have moved up by $576 in the last five years to $4,142. For students and families, these cost increases have coincided with a state economy in Maine which has lagged behind other parts of the nation. A strained economic system in our state is reflected in the hundreds of requests that I have received telling me about financial hardships. The burdens on Maine students and families have been harsh.]

When adding together all student loans, our current borrowers who are about to graduate have combined loan debts averaging just under $15,000 per student, and ranging up to $42,500.

To some, the amount of debt carried by our students is dismissed as insignificant when compared with the price of a new car, or other commodities. However, please consider the following.

Many graduating UMF borrowers will be starting teachers in Maine this fall with an average beginning salary of $21,000. After deducting state and federal income taxes and FICA , take home pay is estimated at $1,375 per month. Excluding other loans, the current average accumulated Stafford Loan debt is $13,170 for one about to graduate. The average payment is estimated at $162 per month for ten years. Imagine the realities here in Maine for a typical graduate right out of college. This graduate is likely to pay about $500 for rent, phone, heat and other utilities—probably a good deal by Beltway standards; $300 for food; $400 for a car payment, insurance, gas and maintenance; and the required student loan payment of $162. This leaves $13 remaining for clothing, professional dues, entertainment, personal and miscellaneous expenses. Our graduates are doing well to keep their cohort student loan default rate at 5.6 percent.

Implications of increased borrowing and proportionately less grant aid

As evidenced by the massive amount o. borrowing, many students are in need of lots of money to finance college. A generational shift continues to occur in which Not only do we need to correct the imbalance between grants and student loans, we need to keep in mind that a comprehensive strategy is needed that is sensitive to the human dimensions in the college financing equation. Students, and particularly the mainstream low-income students predominating in Maine, need human encouragement and support as part of a comprehensive financial support network to ensure equal access. The TRIO Programs in Maine are an excellent example of the type of support that really makes a difference for students. Outreach efforts like those of Maine Education Services and the Finance Authority of Maine are other examples.

We need to ensure that the student aid delivery system is flexible and responsive to the neediest students if we are to prevent a further widening in our society of the gap between haves and have nots. It is also important to keep in mind our 1990s tendency to be infatuated with technological solutions. We need to be discriminating about what is really needed. Technology is very often exciting and promising, but not always accessible, appropriate, or realistic for all groups. Although the pressure to find efficiency is painfully real in government and in education, we must be selective in resisting pressures to adopt solutions that fix things in the short-run, but create bigger problems for posterity.

From my perspective, one of the most crucial elements in the Reauthorization is finding a way to ensure that there is more of a balance between grants and loans, and ensuring that the beneficiaries of our policies are those who need aid most.

Thank you, Chairman Jeffords and Senator Collins, for the opportunity to speak about these important issues.

Senator COLLINS. Thank you very much. We only have about 10 minutes left for questions, so I'm going to split that pretty evenly.

Mr. Milliken, I was thinking as you were talking about the comment of Mr. Peacock earlier about the low percentage of students who complete their higher education in Maine. Even those who go on to higher ed, the percent that drop out is very high.

How much of that in your experience is due to feeling just overwhelmed by the burden of debt that the student is accumulating?

Mr. MILLIKEN. I can't give you hard data on that, but I can tell you what my intuition tells me and my experience tells me. And that is that the prospect of leaving college with a large debt into a weak economy is a very real threat to many students. And I think that that threat really gnaws at students and I think it does affect persistence rates.

And I think also what—you had asked a question earlier about the—the numbers of students from low-income families versus those from higher-income families who, in fact, persist. And in my experience those students who are coming in from higher-income families have a much broader support network that carries them through. That if they leave college with large debts, there's often someone there in the wings who can provide the support for them and who's provided the encouragement along the way.

However, in the absence of that, I think some students lose heart and don't persist and end up withdrawing and some of them with substantial debts.

Senator COLLINS. Mr. Mercer, I first want to congratulate FAME for undertaking this study. I think it was—it's really valuable as we try to figure out why more students in Maine don't go on to college.

One of the things that I thought of when I was commending Dick Pierce for the van that he has in the outreach efforts is, what would be your suggestions, what can we do to make sure that parents don't give up before even exploring the opportunity?

I remember one of the statistics that I read was startling in that it said that a substantial number of parents essentially told their children that there's no hope of going on to college because it costs too much.

What can we do to let people know that while they may be expensive, while there may be a lot of debt involved, there are programs that will allow their children to go on to college?

Mr. MERCER. I think that's something that we're trying to do here more in the State of Maine than we ever have before, and that's getting out and talking to the parents of middle-school students and talking to them about how critically important education is for the future of their child.

And I think what we have to do is make sure the outreach resources, the dollars if you will, to fund the publications are still available. And I think that the more we can get out and talk to families, the more we can meet with them one-on-one and meet with their students one-on-one, the more we can increase the number of kids who want to go on to college.

Later this month we'll be having a project here in Maine called College Awareness Project, which is specifically for the parents and students in 8th, 9th, and 10th grade; to let them know what their

options are much earlier then a junior and senior in high school. And that's really what we have to do. We have to focus on students who are younger and younger and talk to the parents as well as the student.

Senator COLLINS. Mr. Pierce, would you like to add anything to that?

Mr. PIERCE. I think the younger student is important and we should put a lot of emphasis in going to the middle school and try to make people believe that they can go on.

There's also a flip side to that. In Maine we have a very large number of nontraditional students who are older, who want to go back, who need to go back, but they're even in many ways harder to convince and make them believe that they can.

And this year we held our first ever Life Long Learning Festival getting about 60 different programs—not all four-year colleges or whatever, but all of the programs that they might be interested in to getting them to go on to some of these other programs, and that was very successful.

So I think both with the young and with the nontraditional older student we need to continue to just make a large effort.

Senator COLLINS. My final question deals with that nontraditional student of which Husson has a great number, so when I was working here, I really became aware of how important that group of students is. And they're people who, obviously, are trying to increase their job skills and their education and become life-long learners.

I've recently received a letter from such a student who lost her eligibility for a Pell Grant because she took a year off to earn some money to go to college.

Do you have any suggestions for us in that regard? This was a low-income student who decided that she couldn't afford to go to college right away—she was going actually to the technical college—had decided that she would work a year, work just at McDonald's, did not earn a great deal of money, and yet that put her over the limit and she lost her Pell Grant eligibility and decided not to go.

Are we too restrictive for that nontraditional student who is trying to work and make ends meet? Mr. Pierce.

Mr. PIERCE. I think probably Ron has got the expertise on that, but I think I would say we definitely are for—especially the part-time student. We've never done as well in my estimation by them as we should have. I think there are some steps now to broaden some of our State programs and allow us to do that. But there's a lot of part-time students in Maine who I think deserve help.

Senator COLLINS. Thank you. Ron, could you just quickly add a couple of comments?

Mr. MILLIKEN. Yes. Either a dependent student or an independent student could be adversely affected by work because of the way that the delivery system works and the needs analysis system works.

A student's prior year calendar earnings are used to project the available income the following year. And unless a student meets individually with a student aid administrator and a professional

judgment is exercised, the prior year earnings are going to adversely affect a student like the one you mentioned.

Senator COLLINS. Thank you. Senator Jeffords.

The CHAIRMAN. First I want to commend Senator Snowe on your behalf because she single-handedly prevented any raid on the student loan agencies in the past year. I will just tell you a little bit about that.

As well as the budget process, she's on the budget committee. She asked me to assist her—that there should be no reconciliation of cuts in your agencies. And so we worked together and succeeded in the Senate saying, no cuts. Well, the House came back and said, cut them.

Well, we went to conference finally and they argued strenuously that we had to give in, and we decided that we had to do something. And so we went back and Senator Snowe offered a resolution that passed 94 to nothing, no cuts. So we went back and met with them again and they made the same arguments. And they said, well, how can you take that position. I said, well, a 94 to nothing vote helps. They said, 94 to nothing. And we said, yes. They said well, OK. So that was the end of the cuts that were going to occur. We're going to have a similar problem this year, but we're going to be working on that.

With respect to terminating Pell Grants, in Vermont we found that they sometimes, and I don't know whether you encountered this problem, count summer work study as income and reduce your Pell Grants. Do you run into that problem?

Mr. MILLIKEN. It would be nonwork-study earnings. It could be——

The CHAIRMAN. Work study earnings should not account——

Mr. MILLIKEN. It could be taken into account. NonFederal or nonneed-based work earnings could be used as income. And income, again, would be projected from a prior year. So, I mean, it's conceivable, but it wouldn't probably have been from Federal need-based work study.

The CHAIRMAN. OK. I'll check why that happened anyway.

Also, what do you think the impact is of the education debt on the 50 percent of young people that are going on to college and drop out before they finish? Is it income sensitive, do you find there's correlation between those that drop out of college, the 50 percent that drop out, and the income capacity of their homes?

Mr. MILLIKEN. Again, I don't have hard data to give you, but my intuition and experience is that a student who has begun college, incurred debt, and leaves, has significantly less earning power to begin with as they leave.

So we have a situation where lots of things can collapse once that student has left college. And I think that higher-need student who doesn't have adequate support systems is the one most likely to drop out. Which is one reason why the loan limits are less for incoming first-year and second-year students and don't rise up to that 5,500 level until the student has reached the——

The CHAIRMAN. I was wondering if it would be interesting for us if somehow you could take a look at your records, see if there is that kind of correlation? Because I've been trying to find out what

we can do to help the low-income students not drop out; it's a national problem, I think.

Mr. PIERCE. I think we certainly clearly recognize it. And Maine has—in the New England states the lowest income and yet they make the highest per capita investment in higher education of any of the New England states. So I think we recognize the problem, we're trying to do something about it, and need to continue to redouble our efforts.

Mr. MERCER. I would also make the point that Maine families paid their student loans back, even though our incomes may not be as high as elsewhere across the country. When a Maine family borrows under the Federal Stafford Loan Programs, they make every effort to pay those loans back. And that's why we have such high repayment rates.

One of the things I guess I would urge you to look at in the Senate as you look at the reauthorization is what we need to do is help get more families and more students to take the first year, to look at the first year, to get in that first year; and to say, we'll help you that first year get in with grants and work study and what have you so that you can find out whether or not this is something that you can do, in which, is it going to work for you. And then we're going to gradually wean you off the grants and make you have to be responsible for your education by borrowing money.

So once you find out that you can do it, in that first year, then you're not as scared about taking on the money because you know that, gosh, I can do the course work and I can get that degree, and I can have a chance to better my life over the long-term. It's getting them to go over that first hump which is that first year in college which is so difficult.

The CHAIRMAN. I think Vermont and Maine had the lowest default rates of any of the states. And we have a similar problem. Fortunately, we're a little bit better off attracting new businesses, at least at this point.

Finally, this is an easy question. How much direct lending is there in Maine? How many institutions are participating, do you know?

Mr. MERCER. We only have a couple of colleges in—in the direct loan—the direct loan program right now and we are working very, very hard to get those colleges out of that.

As a matter of fact, Dave Wadleigh from the University of Maine system was asked to put together a new program that they feel very good about which is actually going to forego some of the campuses of the University of Maine system.

If we are successful from going into direct lending—and we only have I think a couple of beauty schools and a couple of branches of the University of Maine system that are in it right now, but we're getting there.

The CHAIRMAN. There's a war going on down there, so the administration is trying to push you guys out, and we're trying to at least keep the status quo.

Mr. MERCER. Well, Senator Jeffords, I cannot impress upon you and Senator Collins the importance of the local contact. You need people like Maine Education Services and FAME going to the local

high schools and sitting down with parents and students and talking to them about how you go through the process, what it entails.

And you are not going to be able to get that phone—that help on the phone with some contractor, whether they be based in Houston, or Los Angeles, or Washington. We need to make sure that Maine people have an opportunity to sit down with people like Ron Milliken and Dick Pierce and Charlie Mercer so they can figure out how they can make paying for college possible.

The CHAIRMAN. I want to thank you; I want to thank Senator Collins. This has been an incredibly helpful morning for me, and I deeply appreciate it. And I want to thank your staff for putting this together to be so helpful.

And I think you all can understand why I'm just so pleased that Senator Collins is with me in my committee. She is a very faithful attendee, too, which also helps me because sometimes the attendance languishes worse than it does in some of your classes, but anyway. Thank you very much. Senator.

Senator COLLINS. Thank you very much. And thank you, Senator Jeffords, for coming; I really appreciate it. I think that the hearing today will help us do our jobs better in Washington. I want to thank all of the witnesses who have come.

I particularly want to thank Julian Haynes of my staff who worked very hard to put this hearing together. I stole Julian from Husson, I wasn't sure whether Bill Beardsley was going to let me come back because of that. And Lindsey Ludlow and Judy Cuddy and my Bangor staff also have been very helpful. There are members of my education advisory committee who are here today, and I want to thank them for their advice and guidance. And I also want to thank our court reporter who is a Husson graduate, and I notice has a very good job. That Husson education was well worth it.

The CHAIRMAN. And hasn't missed a word, right?

Senator COLLINS. Finally, I do want to thank Julie Green and Bill Beardsley at Husson for all the work that they did to get ready today, and thank you all for coming.

[Whereupon, at 11:00 a.m., the committee was adjourned.]

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